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OLYMPIC PODIUM

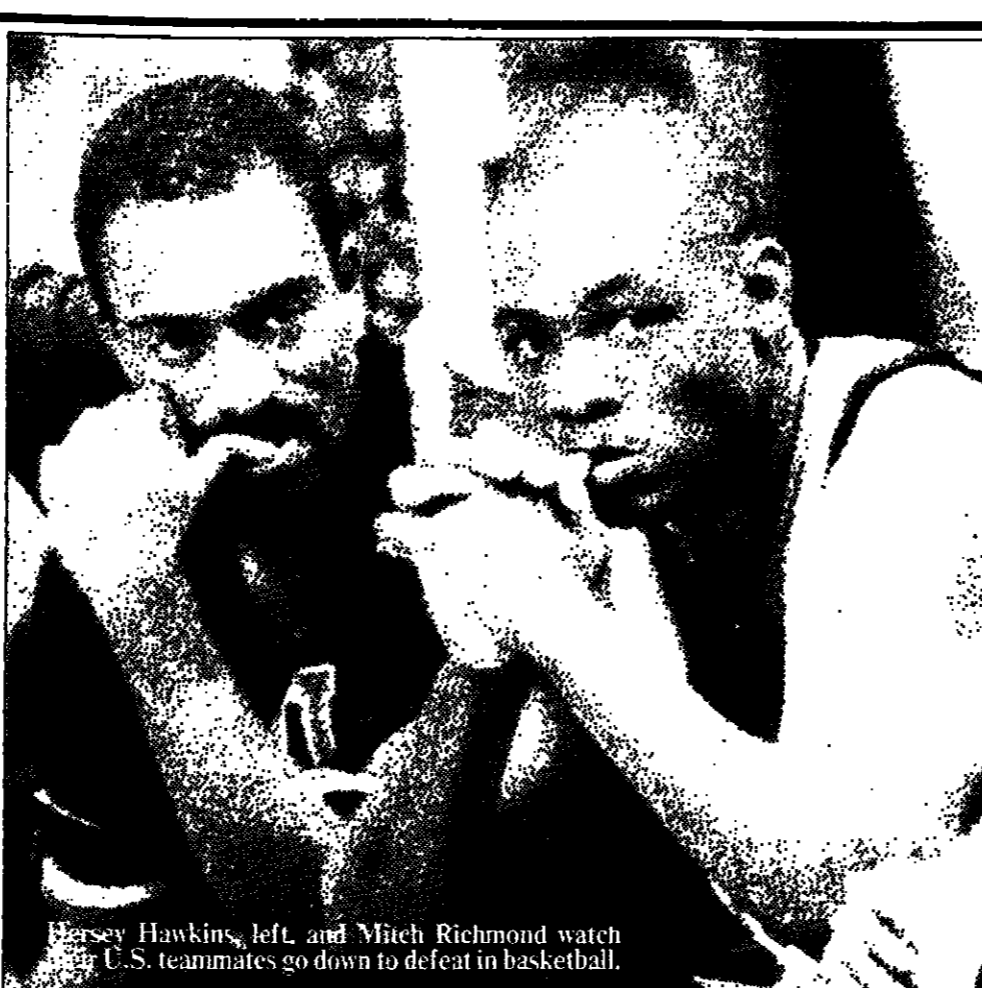
The Game: No Quarrel, and No Contest There was no disputed three seconds Wednesday, as there had been in Munich 16 years before. This time the Soviet Union, without doubt, beat the United States in basketball, 82-76 — and for the first time since basketball became an Olympic sport in 1936, the Americans were not in the final.

Afield, Some Not So Golden Moments As expected, Sergei Bubka of the Soviet Union won a gold in his first Olympics to lead a Soviet sweep in the pole vault. What was unexpected was that Bubka was lucky to clear a lower height and almost didn't win a medal at all. Later, he stormed off without trying for a world record because of the commotion in the stadium.

They Took the 'Demonstration' Seriously It was only the final of a "demonstration" sport, but they played it like the last game of the World Series, one-handed Jim Abbott pitching the United States to a 5-3 victory over Japan and the baseball gold medal.

Lifter Disqualified, Hungarians Leave With silver medalist Andor Szanyi becoming the eighth athlete, and fourth weight lifter, to fail a drug test at these Games, Hungary sent its weight lifting team home from Seoul.

He Was Down and Out, Not Discouraged Jerick Tenai, 20, the Solomon Islands' lone Olympic archer, learned to shoot only three months ago and arrived in Seoul with what he admitted was a pretty primitive bow.



Hawkins, left, and Mitch Richmond watch U.S. teammates go down to defeat in basketball.

Johnson Tied to 3 Medications

Compiled by Our Staff From Dispatches SEUL — Ben Johnson acknowledged taking three types of medication, including some containing partly restricted drugs, before his 100-meter race Saturday, a doctor in the drug control office at the Olympics said Wednesday.

He was also barred for life from competing for Canada. Dr. Lee said that while Johnson was being tested on Saturday, about 90 minutes after his world record dash of 9.79 seconds, he admitted that he had taken drugs.

Alabiso, director of photography for The Boston Globe newspaper, said he had taken something, "I'd feel real bad." Mr. Alabiso, who was on the flight from Seoul to New York with Johnson, quoted the athlete as saying: "First I was shocked, but after a while, I don't care."

Soviet Leaders Will Meet To Restructure the Party China Near A Summit With Russia

By Philip Taubman New York Times Service MOSCOW — The Communist Party Central Committee has scheduled an unexpected meeting Friday to discuss reorganization of the party apparatus.

By Don Oberdorfer Washington Post Service UNITED NATIONS, New York — The Soviet Union and China, in a new step toward repairing the decades-old split between the giants of international Communism, agreed Wednesday to an exchange of foreign ministers' visits that is likely to presage a Chinese-Soviet summit meeting.

Timing Suggests Gorbachev Faces Increased Opposition easier, to move step by step, first coping with one problem and then with another? "What can be said to this? The country cannot be shaken out of stagnation by isolated, disjointed measures."

The meeting suggests that Mikhail S. Gorbachev may have run into stronger than anticipated opposition to a key element of his plan to restructure the Soviet political system.

In an indication of the meeting's importance and an apparent sign that Mr. Gorbachev wants key supporters present, Foreign Minister Eduard A. Shevardnadze cut short his visit to the United Nations on Wednesday to return to Moscow.

Mr. Gorbachev, with the reported approval of the Politburo, has planned deep cuts in the party bureaucracy in Moscow and at the regional level, a key step toward limiting the party's role in the management of nearly all aspects of society.

The sudden scheduling of Friday's meeting appeared to catch many party officials by surprise. The next Central Committee meeting was expected to take place in late October, and there was no indication until Wednesday that there would be a meeting on Friday.

Officials said the meeting did not signal a leadership crisis, although they were at a loss to explain why the gathering was so urgent.

More than any other decision promoted by Mr. Gorbachev, the move to eliminate nearly half the Central Committee departments and trim the administrative operations of local party organizations cut to core issues of power and privilege.

Mr. Gorbachev met as scheduled in the Kremlin with the East German leader, Erich Honecker, and was shown on the television news Wednesday evening touring an exhibition of industrial machinery with Mr. Honecker and almost all the members of the Politburo.

The Soviet leader looked relaxed, and no tension between him and his Kremlin colleagues was evident in the broadcast.

Some Western diplomats have predicted that Mr. Gorbachev would encounter serious problems by pushing his campaign to reshape the country in the party itself.

At a Kremlin dinner for the East German leader, Mr. Gorbachev alluded to criticism of his programs in remarks that might describe the kind of resistance his reorganization plan faces and why he is calling the Central Committee together.

"We are sometimes asked," Mr. Gorbachev was seeking to tackle the broad? Wouldn't it be better, and

If the administrative cutbacks he has proposed are carried out, hundreds of high-powered party officials in Moscow would have to be reassigned to new jobs, along with thousands of regional and local party bureaucrats.

The upheaval would deprive regional and local party leaders, the barons of the Soviet system and the largest voting block in the Central

See SOVIET, Page 5

Confident NASA Ready For a Launching Today

By John Noble Wilford New York Times Service CAPE CANAVERAL, Florida — With the future of the nation's civilian space program hanging in the balance, the space shuttle Discovery was readied Wednesday to carry U.S. astronauts into orbit for the first time since the Challenger disaster 32 months ago.

Officials of the National Aeronautics and Space Administration said Wednesday night preparations were proceeding smoothly and with rigorous caution. The weather forecast was generally favorable, with scattered clouds and 11-knot winds predicted.

"This flight is the key, vital element in the overall future of our space program," said Dale D. Myers, NASA's deputy administrator, at a news conference.

"We've been working for two and a half years to put the shuttle back in business," Mr. Myers said. "It's really the beginning of the future of our space program."

Rear Admiral Richard H. Truly, the associate administrator for space flight, said confidently: "The space shuttle is ready to fly. The U.S. is ready to go."

Admiral Truly, a former astronaut who took over leadership of the staggering shuttle program after the accident, was referring to the inertial upper stage, a solid-fuel rocket attached to the shuttle's principal payload, which is an advanced \$100-million communications satellite that is to be deployed on the first day of the planned four-day mission.

Concern about the condition of the payload rocket was raised at a management review meeting Tuesday. A similar rocket at the manufacturer was found to have a small cut in an O-ring that acts as a seal.

Arnold D. Aldrich, director of the shuttle program, said an investigation determined that it was "highly unlikely" that the same cut would exist in the rocket that is now locked into place in the Discovery's cargo bay. Even if it did, he said, tests of the damaged O-ring showed that it would easily withstand the pressures of the rocket firing.

Admiral Truly said he had talked to the crew members and they were "in great shape, all ready to go."

Heading the crew is Captain Frederick H. Hauck of the navy, the mission commander, who has flown in space twice before. The other crewmen are Colonel Richard O. Covey of the air force, Lieutenant Colonel David C. Hilmers of the Marine Corps, John M. Lounge and George D. Nelson.

The astronauts have been in training for the flight since January 1987, which was a year after the Challenger exploded 73 seconds after liftoff, killing all seven crew members.

An investigation determined that a flawed seal in one of the two booster rockets leaked hot gases and set off the catastrophic explosion. Cold weather on launching morning also was believed to have contributed to the seal's weakness.

As Mr. Yang explains it, parents of an only child sometimes expect such a high

See CHINA, Page 5



SEOUL STUDENTS PROTEST — As riot police advanced, students at Korea University fled Wednesday after a demonstration by about 200 of them. The students, throwing firebombs and waving sticks, sought a leader's release. No injuries or arrests were reported.

In Libya's Discreet Hotel Kabir, Revolution Is the Inn Thing

By Jennifer Parmelee Washington Post Service TRIPOLI — Visitors could be forgiven for thinking that Tripoli's main hotel, El Kabir, is not the hub of the universe. But from a revolutionary's point of view, perhaps it is.

The spacious seafront hotel, with its green-and-white facade of Islamic arches, has become a home away from home for every sort of "liberation movement," thanks to Colonel Moammar Gadhafi's well-financed vision of himself as leader of the world's oppressed.

The hotel's registers read like a United Nations of revolutionaries, counter-revolutionaries and quasi-revolutionaries from across the political spectrum. There are businessmen, too, and diplomats, but they tend to pale next to the swaggering cowboys of one nationality or another.

Delegations of officials arrive one after another — from Ecuador, Austria, Burkina Faso, the Philippines, wherever their chauffeured Chevrolets and police escorts crowd the hotel driveway.

They converge in the cavernous, marble-clad lobby in a swagaboard of language and colorful dress. Some are hustled off by bus to seminars, mostly of the anti-imperialist kind, or perhaps a tour of Colonel Gadhafi's home that was bombed on April 15, 1986, by the United States.

After Denial Period, China Admits Need for Psychotherapy

By Daniel Southerland Washington Post Service BEIJING — A young Chinese factory worker said he could not sleep, fearing that another worker was trying to kill him. But after psychological counseling, he decided he was suffering from delusions and could conquer his fear.

"I feel all right now," said the young man, dressed in his worker's clothing, as he stepped out of a one-room counseling center established here just a few months ago.

But the young man's problems will almost certainly require more treatment. Neighborhood quarrels, a factor in his mother's committing suicide several years ago, almost got him into a tangle

That is now changing. In August, nearly 400 American and Chinese psychiatrists met in Beijing to exchange ideas on mental health. The meeting was a sign that psychiatrists and psychologists have permission from the Chinese government to pursue their work.

Meanwhile, more than 30 universities are offering psychotherapy to students, according to Health News, an official newspaper.

Kiosk U.S. and Spain Agree on Bases UNITED NATIONS, New York — The United States and Spain have agreed on the terms of a new military base agreement, the State Department said Wednesday.

Table with financial data: Dow Jones, The Dollar, etc.

Vertical text on the right edge of the page, including 'WANTED BLISHER' and other notices.

Abrahamson Quits SDI Post; Move May Signal Policy Shift

By Michael R. Gordon
New York Times Service
WASHINGTON — In a surprise announcement, the Pentagon said Tuesday that Lieutenant General James A. Abrahamson of the air force had resigned as director of the research program to develop a space-based anti-missile defense. The resignation, which takes effect at the end of January, may signal an important turning point in the program to conduct research and testing on systems to defend against missile attack.

Howard, rebuffed any suggestions that the general was leaving because of unhappiness with the program.

The general has been an ardent advocate of efforts to develop a space-based missile defense system and has not endorsed proposals for a gradual approach toward defense systems that have been under review at the Pentagon. Many analysts say budgetary constraints are likely to significantly limit the scope of a space-based program, regardless of who is elected president in November.

background in developing tactical air force systems. The air force says he contributed to the development of the F-16 and worked on research and development projects at air force headquarters. He is a pilot who flew 122 combat missions in Southeast Asia.

General Abrahamson, 55, who is retiring from active military duty, was picked to head SDI in 1984. Before that, he ran the space shuttle program and was a manager of the air force's F-16 program.

Missile Attack Kills 35 In Kabul, Tass Reports

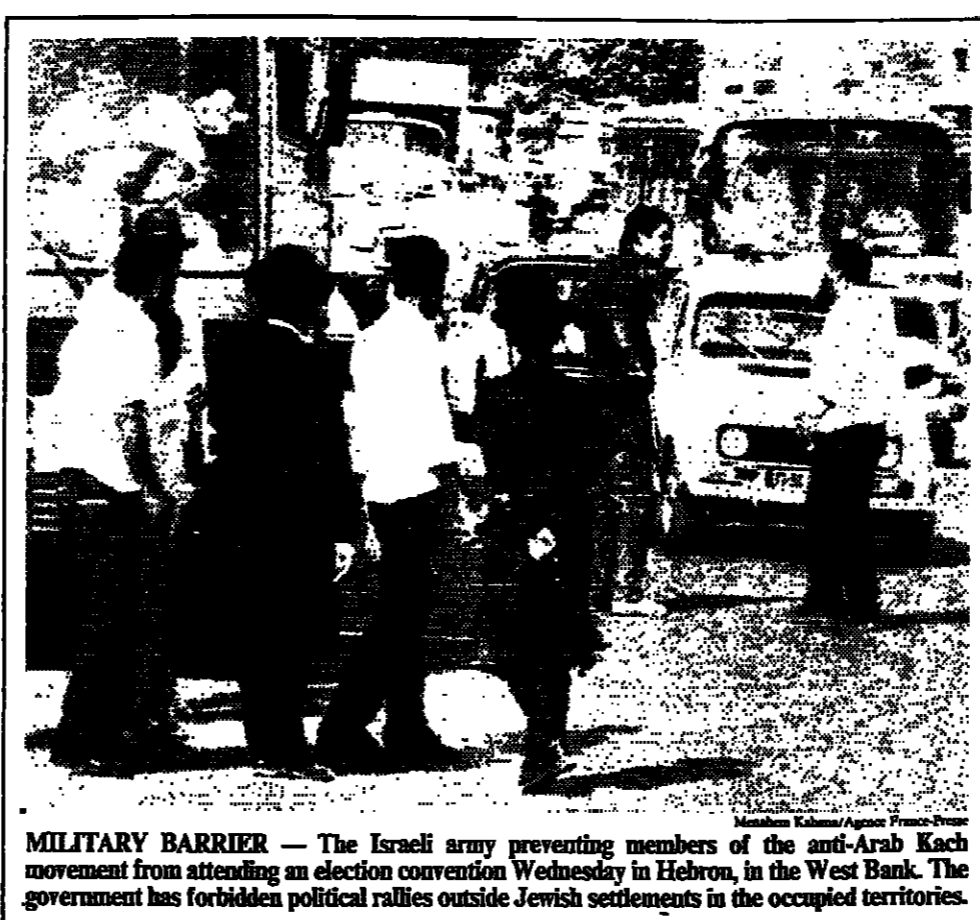
Compiled by Our Staff From Dispatches
MOSCOW — A missile fired by Afghan guerrillas killed 35 people and wounded more than 150 in Kabul on Wednesday, the Tass press agency reported. More than 20 rockets were fired into the Afghan capital, Tass said.

The letter of resignation, the general said that his departure as head of the Strategic Defense Initiative, or SDI, would help the next administration take a fresh look at the missile shield project.

General Abrahamson wrote that the anti-missile program had made "unprecedented progress," but added that "a new administration will undoubtedly have different ideas or approaches to SDI."

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Reagan's Appeal on Chemical Arms Called Stopgap Response by Experts

By John H. Cushman Jr.
New York Times Service
WASHINGTON — President Ronald Reagan's call for an international meeting to discourage the use of chemical weapons is a stopgap response to delays in eliminating the weapons altogether, administration and congressional experts and arms control analysts say.

Bush raised the issue twice during his debate Sunday night against Governor Michael S. Dukakis of Massachusetts.

Mr. Dukakis's camp responded that Mr. Bush three times voted to break Senate ties and allow renewed production of chemical weapons by the United States, but Mr. Bush is taking credit for having been the envoy who presented the U.S. draft treaty calling for global elimination of the weapons.

Matthew G. Bunn, a senior associate at the Arms Control Association, a nonprofit and nonpartisan research organization in Washington, said Mr. Reagan's proposal "might be useful, but is not earthshaking."

Prague Ousts 2 Britons In a Reciprocal Action

The Associated Press
PRAGUE — Czechoslovakia has ordered two British military attaches out of the country for activities "incompatible with their diplomatic status," the official press agency CTK reported Wednesday.

Netolicky, and Pavel Moudry, a member of the commercial section. The British said the expulsions were a signal that while Britain seeks better relations with Czechoslovakia, it will not tolerate "the sort of activities" in which Prague's three diplomats engaged.

Rashid Shawa, Former Mayor of Gaza, Dies at 79
Reuters
GAZA, Israeli-Occupied Gaza Strip — Rashid Shawa, 79, a Palestinian who was mayor of Gaza for 11 years until removed by Israel in 1982, died of a heart attack at home on Tuesday, his family said.

SHUTTLE: Countdown Proceeds

(Continued from Page 1)
Despite the host of leaks and power failures that troubled countdown practices and a firing test in August, the countdown for the actual mission has so far been relatively free of problems.

Mr. Shawa, who was staunchly pro-Jordanian, spoke out against both the Israeli occupation and hard-liners in the Palestine Liberation Organization. His positions prompted several attempts on his life.

Howe Supports Reagan Plan on Arms Conference

Reuters
UNITED NATIONS, New York — The British foreign secretary, Sir Geoffrey Howe, expressed concern Wednesday at the spread of chemical weapons and backed a proposal by President Ronald Reagan for a conference to outlaw their use.



Two By Two



To The U.S.A.

WORLD BRIEFS

Thatcher, in Belfast, Warns the IRA

BELFAST (AP) — Prime Minister Margaret Thatcher, heavily guarded during a surprise visit to Northern Ireland, warned the Irish Republican Army on Wednesday that Britain is more determined than ever to defeat terrorism.

House Approves U.S. Military Budget

WASHINGTON (AP) — The House of Representatives approved Wednesday a military budget bill sporn of restrictions on the missile defense system and arms control policy that had been objected to by President Ronald Reagan. The vote was 369 to 48.

Pravda Urges Tough Line in Armenia

MOSCOW (Reuters) — Pravda urged the authorities in Soviet Armenia on Wednesday to take a tougher line on unrest over the disputed Nagorno-Karabakh Autonomous Region of Azerbaijan, as strikes and demonstrations continued in Armenia's capital, Yerevan.

Chinese Police Stop Tibetan Protest

BEIJING (WP) — Chinese police broke up a small demonstration for independence by Buddhist monks in the Tibetan capital of Lhasa after the authorities had placed tighter controls on the city, a Westerner in Lhasa said Wednesday.

Progress Reported in Angola Talks

BRAZZAVILLE, Congo (Reuters) — Delegates at peace negotiations in Angola and South-West Africa said Wednesday that progress was being made and the talks would continue into an unscheduled fourth day.

Opposition Party Registers in Burma

RANGOON, Burma (Reuters) — The opposition National League for Democracy registered as a political party Wednesday, but said it had not decided whether to participate in promised elections.

For the Record

Voice of America, the overseas broadcasting service of the U.S. government, will be allowed for the first time to station a full-time correspondent in Moscow, officials announced Wednesday. (AP)

TRAVEL UPDATE

In Corfu, the international airport was shut down for 48 hours on Wednesday, stranding more than 3,000 British, Dutch and German vacationers. The closure, together with a ferry, bus and taxi strike, was staged in sympathy with residents of the mainland port of Igoumenitsa who blocked roads leading into the town 17 days ago to protest a sewage treatment project.

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WORLD BRIEFS

Belfast, Warns the... Minister Margaret Thatcher...

U.S. Military... The House of Representatives...

Tough Line in... The House of Representatives...

Stop Tibetan... The House of Representatives...

Ported in Angola... The House of Representatives...

Party Registers in... The House of Representatives...

REL UPDATE... The House of Representatives...

near Pan Am... The House of Representatives...



Mr. Dukakis got a little help from his friends after stumbling during a stop in Melrose Park, Illinois.

Dukakis Promises to Ban Lobbying By Ex-Officials During His Tenure

GREENSBURG, Pennsylvania — Governor Michael S. Dukakis, strongly criticizing the Reagan administration, said Wednesday that as president he would sign an executive order barring former high officials from lobbying the government for the duration of his time in office.

Local Coverage Is Giving Quayle a Boost

By B. D. Ayres Jr. — Mr. Quayle himself has said that he does not expect it to change much — and in an effort to recoup, they have focused their energies on local coverage, which they feel they can more easily influence.

Is That Churchill, JFK or FDR? No, It's 'The Quayle'

New York Times Service — Senator Dan Quayle has compared himself to John F. Kennedy ("Jack Kennedy was about my age when he ran for president"), Winston Churchill ("Churchill was not a great student") and Franklin D. Roosevelt ("FDR failed the bar examination a number of times").

Noriega Connection: What Did Bush Know, and When Did He Know It?

By Stephen Engelberg and Jeff Gerth — WASHINGTON — Through the 1988 presidential campaign, opponents of Vice President George Bush have invoked the name of General Manuel Antonio Noriega, the Panamanian ruler, as shorthand for questioning Mr. Bush's judgment.

"How can I diversify my investments if I only have US\$2,500?"



"Diversification" is the magic word in investment these days. Everyone wants to spread their investments over a range of economies, currencies, and business types. But how can the small investor do this if he only has US\$2,500?

Advertisement for International Herald Tribune, featuring the text 'Now Printed in New York For Same Day Service in Key American Cities' and contact information for subscriptions.

Advertisement for Beefeater Negroni, featuring the text 'THE BEST OF TASTE: MIX A BEEFEATER NEGRONI' and an image of a bottle and a glass of the drink.

Advertisement for Quimper Faience, featuring an image of a woman in traditional dress and the text 'Visit our shops' and '141 Water Street, Stoughton, CT 06157, U.S.A.'.

Advertisement for 'AUTHORS WANTED BY N.Y. PUBLISHER', featuring the text 'Leading study book publisher seeks manuscripts of all types, fiction, non-fiction, poetry, juvenile, scholarly and religious works, etc.'.

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Smooth Soviet Talking

It was the Soviet Union's turn at the United Nations on Tuesday. In contrast to President Reagan's retrospective on Monday, Foreign Minister Eduard Shevardnadze looked ahead to ways in which the world body's "renaissance," as he called it, could be deepened and confirmed.

Not Only Fraud in Seoul

They wept for sadness in Seoul when Ben Johnson, "the world's fastest human," tested positive for steroids and was stripped of his gold medal. Hours later, Greg Louganis wept for joy as the narrow victor over a spectacular Chinese teen-ager in diving from the high platform. These two episodes showed the best and the worst of Olympic competition.

What Kind of Tax Rise?

Everyone knows that Ronald Reagan presided over a huge tax cut on talking office, particularly for the rich and corporations. Less well known, because neither Mr. Reagan nor his opponents have had the same interest in publicizing it, is what happened next. The president, beginning in 1982, signed a series of tax increases that together have now taken back more than half of what he and Congress gave away in 1981 — although the net tax out is still very large — and the major contributor to the deficit.

Other Comment

Punish the Trainers, Too
Drug use by an athlete makes competition meaningless. A statement issued by a group of Olympic athletes after Ben Johnson was stripped of his medal called for "the establishment of unannounced random testing for athletes in training and competition on an international basis" — a step that is obviously overdue. But testing alone is not enough.

Factor in the Khmer Rouge
Off the battlefield, this has not been a particularly good year for the Khmer Rouge. And with the opening last week of this year's United Nations General Assembly session, the countries in ASEAN, the Association of South East Asian Nations, are considering including in their resolution on Cambodia language that opposes the return to power alone of the Khmer Rouge. The Khmer Rouge's worst fear — international isolation — appears to be materializing.

Still Waiting for Thatcher the European

By Flora Lewis

LONDON — Margaret Thatcher, now in her third triumphant term as prime minister, is the senior European leader. Her complete dominance of the British political scene, her prestige, the force of her personality make her the one who could carry the European Community's gold-starred blue flag to consolidate great new European power. Yet she doesn't seem tempted.

It really stems from a kind of Marxist doctrine. Ironically, Mrs. Thatcher's union bashing is beginning to convert Britain's unions from their adamant "little England" stance to being pro-European. They are coming to see that joining forces with Continental unions would help them deal not only with Europe-wide companies but also with their own government.

Soviet economy produce more goods and services. "Freeing up the political system gives you not only the greater dignity, but it also produces greater economic results," she said. She called Mr. Gorbachev's efforts "very far-reaching, very bold and prophetic," and said the West should help by sharing management techniques through joint ventures, without letting down on strong defenses. It is appropriate that the leading European ideologist of capitalism should show encouragement to the leader of the Communist superpower. The central facts are not only the failure of communism but the success of the West.

Poison Gas: Everybody Minding His Own Business

By Bernard D. Nossiter

LONDON — The other face of the United Nations, its insistence on your right to commit atrocities inside your own border, will be on display in New York until Christmas. At the General Assembly, presidents, prime ministers and others from Asia and Africa will beat their breasts over the plight of blacks in South Africa, Palestinians in Israel. However, nobody from the Afro-Asian states is likely to say a word for the thousands of Hutus, including women and children, bayoneted to death by racially inflamed Tutsis in Burundi. Nor will much sympathy be wasted on thousands of Kurds massacred in slow agony by Iraqi gas.

administration, alternately courting Iraq and Iran, has played a central role in legitimizing poison gas as a weapon of choice. President Reagan, no doubt, was sincere at the General Assembly on Monday when he urged a conference to strengthen the 1925 treaty outlawing chemical weapons. But, as for so many Assembly orators, there was a substantial gap between words and deeds. Mr. Reagan labored long and successfully to revive the production of poison gas in the United States. Gas, of course, has been useless since World War I against any state with planes and artillery, with the means to obtain and deliver the stuff in retaliation. A gas war simply lingers both sides with masks. President Nixon, no dove, understood this and renounced U.S. production in 1969. He admitted what everyone knew: Gas is useless in modern war. But he threatened the careers of a handful of generals and lesser officers in the Army Chemical Corps. From an obscure corner in the Pentagon, they began lobbying for their professional lives. By inventing a Russian threat, they won the new Reagan administration to their cause. Reagan's administration was a reluctant Congress for funds to resume production.

Swift Ben Johnson Wasn't the Only Loser

By Dominique Moïsi

WE WERE climbing side by side in the Italian Alps. Luca and I, and the boy was showing normal reluctance to go further. So I excited my 8-year-old son's imagination by talking about the coming Olympics. We would be watching the great competitions together in a few weeks, I said. The big event, a combat of giants, would be Carl Lewis vs. Ben Johnson in the 100 meters. The American's name rang a bell. With the conservatism natural to his age, he decided he was for Lewis.

difference between Seoul and Paris. Never mind. On Saturday morning I woke Luca at dawn and via the mysterious dramatization of radio we shared Johnson's fabulous victory. The boy was a bit disappointed — Lewis had lost the silver medal. But what a race! The world record broken! We decided I would call him my Ben Johnson from now on, to encourage his athletic bent and celebrate his fast running. On Tuesday morning we heard of his new hero's disqualification. He couldn't understand. Who had taken the gold medal away from Ben Johnson and why? What had a drug — for Luca the word has an evil ring — to do with the High Mass of sports, the 100 meters? It was complicated, painful to explain. Even sport has become too complicated for an 8-year-old. At about 8 o'clock on Tuesday morning, the Olympic spirit was taken away from my son. International Herald Tribune.

Campaign: Gorbachev Is Outscoring the Debaters

By William Pfaff

PARIS — The difference between what Mikhail Gorbachev says to the Soviet people and what George Bush and Michael Dukakis say to Americans is that Mr. Gorbachev is trying to deal with reality while the two presidential candidates are doing their best to stay away from it. That is a harsh judgment. But what else are we to say when we read the stark statements Mr. Gorbachev made last weekend about the failures of reform in his country, and compare them with what passed Sunday as a debate between the two Americans?

Similarly, he is dealing in reality when he lectures his people and the government apparatus on reform, resistance to reform, failures of reform and the stark prospects facing his country. He tells them to work, refuse compromise, sacrifice in the interest of better times to come. Which presidential candidate — or president — of recent years has told Americans that we "all must put on the harness and pull, pull," if we expect to reduce the national deficit, produce better goods, innovate, educate children beyond quasi-illiteracy, cope with drugs and the drug racket, house the wretched on the streets? Walter Mondale tried it in 1984, saying that Americans had to pay taxes for what they spent; and that was the end of his political career.

Where Are the Big Men With Their Big Visions?

By Michael Arlen

NEW YORK — The stern, surly, earnest governor is saying, "I care very deeply about people, all people, working people, working families." The amiable, goofy vice president is saying, "I don't want my grandchild to go into an X-rated movie. Who are these guys, you wonder? Only a couple of weeks ago, one was driving around in a tank. At about that time, the other was wandering around a flag factory in New Jersey. That's right, a flag factory. Can they be serious, those two? "And everyone realizes that peace through strength works and so this is where I have a big difference," says the vice president. "Let's not forget that our national security and our economic security go hand in hand," says the governor. How on earth did we get ourselves in such a fix? Was it too much physical fitness — thus, too much thinness and not enough of those big men, those really big men they used to have long ago, with their huge, manly chests and large and dangerous visages? Or perhaps it's just television, once again. Consider, after all, these so-called debates. Despite the presence of interviewers and the modest challenge of a few questions, the debate is almost entirely an audition — a competitive audition, if you will. This is the era of the actor. (You thought it was the era of the concerned scientist? The epic poet? The sleeping porter?) Half the world seems to be auditioning for the other half. Formerly obscure businessmen hire voice teachers; 18-year-old kids "present"

themselves by videotape in lieu of college interviews. Politicians had been using actorish techniques for years, though not always to noticeable effect — in part because some of the older types were reluctant pupils; they didn't have the plan — without later — to give it all it wants without cost or inconvenience. Mr. Gorbachev says to his people, "Don't accept the illusion that the center or some 'good king' is going to do everything." And, "We are slow, we are losing time, we are losing the gamble." He tells the newspapers, "Don't lead people to expect miracles." He has, of course, big problems to be realistic about. Frankness and realism are essential if he is to have any chance of bringing about a fundamental change in his society. Nonetheless, the contrast between what he tells his people and what American leaders are talking there is very great. Outside the United States, certainly, people are thinking about that difference. The conclusion they increasingly are coming to is that only one of the two countries is being serious. International Herald Tribune. © Los Angeles Times Syndicate.

Mr. Arlen writes about television. He contributed this to The New York Times.

100, 75 AND 50 YEARS AGO

1888: Slave Trade Brisk
PARIS — The Independence Belge publishes a letter from Lughouat, on the extreme southern frontier of Algeria, announcing that the slave trade is flourishing on French territory there. Two hundred slaves of both sexes have been sold at Lughouat, and the trade is doubtless very brisk in the provinces of Constantine and Oran.

1938: Meeting in Munich
LONDON — With dramatic suddenness a shaft of peaceful sunlight pierced the pathing war clouds yesterday (Sept. 28). In the middle of the afternoon the world learned that Chancellor Hitler had invited Premier Mussolini, Daladier and Chamberlain to a conference in a last effort toward a peaceful solution of the Czechoslovak question. The conference will be held in Munich. Its object is a four-power agreement for the transfer of the Sudeten territories to Germany without the use of force. The announcement sent a thrill of joy and relief coursing throughout a world almost resigned to an imminent outbreak of general hostilities. In the morning Mr. Chamberlain appealed to Premier Mussolini to intervene with Chancellor Hitler. The Duce accepted and immediately got in touch with the Führer by telephone. The announcement of the conference was made a few minutes after the Mussolini-Hitler telephone talk.

PEKING — The removal of the Quintuple Group's monopoly in loan matters greatly satisfies the Chinese, who already are encouraging a wild scramble for so-called industrial loans. The consensus of opinion in the quarters where the subject is soberly considered is that the bitter competition of concession-hunters, combined with the acute money-hunger in China, will ultimately lead the European Governments to revise their spheres of influence, with their attendant excuses for control.

1913: China Loan Rush
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19 Milestones En Route to... SAE EURO PAGES NOH

Foresight In Tokyo And Bonn

By Jim Hoagland

PARIS — The populists in both Japan and West Germany have virtually stopped...

The combination of Germany's central banks, captains of industry and politicians...

Consequently, the forthcoming changes in banking and other financial services are a cornerstone...

ing and ambitious aspects of "1992." Many problems are yet to be resolved...

The EC directives covering banking and other financial services, including securities, have three primary goals...

Second, the United States and the United States debt for a while...

In the absence of a stable international monetary system...

years ago Meeting in the...

PARIS — A chief...

1992

The World's Rendezvous With Europe

Banking and Finance / Toward a Single Market

Milestones and Obstacles En Route to Integration

Money is the grease for the wheels of change in Europe. Without the free movement of capital among the 12 European Community nations...

The first step: free capital flow by 1990

ing and ambitious aspects of "1992." Many problems are yet to be resolved by the European Commission...

institutions to establish branches throughout the EC. A milestone was passed last June, when the finance ministers set a timetable for the lifting of currency controls...

Lifting controls means that France must no longer prohibit French citizens from opening accounts with British, Spanish or other non-French EC banks...

For banks within the EC, there will be both winners and losers, and some experts predict that by the year 2000 the EC will be dominated by a relatively few megabanks...

Since 1986, when Deutsche Bank of West Germany bought Banca d'America e d'Italia...

The EC's Top 20

Of the world's 50 largest banks, 20 are from the EC. France and Germany have 6 each, Great Britain four, the Netherlands three and Italy one.

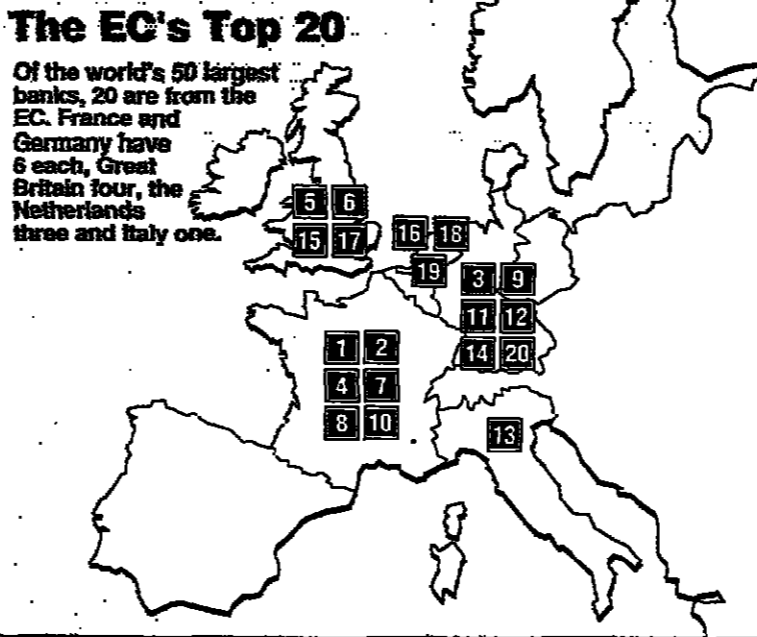


Table with 4 columns: EC rank, Bank, Worldwide rank, 1987 assets. Lists banks like Credit Agricole, Banque Nationale de Paris, Deutsche Bank, etc.

Source: The Banker, July and October 1988.

Interview / Pierre Bérégovoy, French Minister for Finance and the Economy

Bérégovoy: The Need for a Common Monetary Policy

Pierre Bérégovoy, France's minister for finance and the economy, outlined his views on European monetary issues and other topics.

First, it is absolutely essential for Europe to speak on a basis of equality — with the Japanese and the Americans — on economic issues...

policy cannot work effectively as long as Great Britain remains outside the EMS exchange mechanism.

So what happens in the meantime? I am pragmatic. We need to advance step by step, letting market forces work, and coordinating our interventions in the market...

What do you see as providing the leadership? Who do you see as providing the leadership?

Receive foreign currency reserves from national central banks. Its primary mission would be to manage the parity of the ECU with regard to the yen and the dollar.

What is the importance of the date 1992? It is the deadline for the end of that year, but it can also be seen as Jan. 1, 1993.

A dynamic Europe should, and will, be built around the Franco-German duo. That relationship, I should emphasize, is not aimed at excluding anyone.

What is your reaction to the widely held impression that France is blocking progress on harmonization of EC value-added taxes?

First, it is clear that the EC Commission's proposals are too rigid. The Prime Minister [Michel Rocard] expressed the anxieties of France.

In light of the decisions taken at the Hannover summit meeting in June, what progress is being made on EC taxation of savings?

We are waiting for the Commission. See interview, page V11

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1992 The World's Rendezvous With Europe

Insurance / Directives and Differentials

Taking No Risks With Billions in Tax Money

The European Parliament, having pushed through one insurance directive, is poised to proceed to the next. The insurance sector is gathering its forces and laying its plans for the coming decade. And in Brussels, the European Consumer's Association is still wondering when, if ever, the EC will resolve its internal tax differentials.

"1992 is a catalyst, its effect is to focus attention on the issues. It's making things happen faster," comments Brian Griffin, EC Research Coordinator for the British Royal Insurance Group.

Royal Insurance, which last year picked up only 10 percent of its premiums in Europe, is interested in building up its share of the EC market. But, in Mr. Griffin's opinion, the idea of a

changes are coming in society. But 1992 is not a political issue, it's a business issue, and the politicians are being reluctantly dragged along behind."

The checkered history of the recent non-life directive, ratified by the European Parliament in June, lends weight to his argument. The directive allows cross-border trade in non-life insurance for companies with more than 500 employees or a minimum turnover of 24 million ECU (\$29.7 million), and could affect from 70 to 80 percent of all non-life insurance written in the EC.

Due to come into effect in 1990, it covers marine, aviation and transport risks, credit and surety insurance, fire, general liability, property

that freedom of insurance was inherent, even in the absence of a specific directive to that effect, under the Treaty of Rome. The case, centering on marine insurance and brought against Germany, was based on that country's reluctance to change its own national laws in accordance with the 1978 Coinsurance Directive.

The experience showed how easily, while defining the letter of the law, the true spirit of an open market could be missed. Similarly, embedded within the current directive is the proviso that taxes will continue to be collected, at the current rate, by

those states within which a risk is insured.

Commenting on the June directive, Robert Schmitz, legal counsel for the BEUC in Brussels, points out: "Taxation is certainly one of the hardest parts, and not really tackled. We see very little possibility of that particular problem being solved by 1992."

"It was either that or no directive," explains an official in Brussels. "Little by little..." He puts 20 years of effort into perspective by patiently explaining how national regulations, standards of living, fiscality, terms and contracts all had to be taken into

The Tax Gap

By favoring mutual recognition rather than harmonization, the EC has endorsed the existing tax structure on insurance. For the Euro-consumer, this means tax levels can differ by up to 30 percent from country to country.

	France	UK	Germany	Belgium	Lux.	Neths.
Fire	30/15	0	5	9.25	4	7
Life	5.15	0	0	4.4	2	0
Auto	18	0	5	9.25	5	7

consideration for six, nine, 10 and subsequently a dozen nations.

Indeed, even the latest directive is being phased in between 1990 and 1995 to allow Spain, Greece, Portugal and Ireland additional time to develop their indigenous industries.

By then, the EC will have introduced a directive allowing insurers to cover life insurance risks across the

continent. If the problem of taxation had been resolved, such a move could have offered immediate benefits to European consumers. But national governments are understandably reluctant to surrender such a lucrative source of funds: France collected some FF 2.2 billion in tax from the life insurance sector in 1986.

Steven Bartlett

Banking and Finance / Toward a Single Market

Milestones and Obstacles En Route to Integration

Continued from page 1

for \$600 million there have been dozens of such alliances within the financial sector, both cross-border and domestic.

Dutch institutions, for example, need to expand because, despite their sophistication in banking and financial markets, their domestic market is too small to allow significant economies of scale. As a result, Amsterdam Rotterdam Bank recently entered a joint venture with Générale de Banque of Belgium, a move that not only expands their services, but also discourages takeover predators.

Spain has a larger domestic base, but its institutions also need to expand because they are smaller and less sophisticated than those from other countries that will be opening branches across the street. As a result, two of Spain's largest banks, Banco de Bilbao and Banco de Vizcaya, recently merged.

Despite the new ability to open branches in other countries, it appears unlikely that even the biggest European banks will undertake the astronomical expense of expanding comprehensive retail networks to other countries.

"Cross-border sales could mean teams of traveling bank salesmen wandering the Continent with a termi-

nal or a home bank in their briefcase," says John Quinton, chairman of Britain's Barclays Bank. "Perhaps more likely is the prospect offered by new technology for home banking anywhere in Europe."

For banking customers, a single financial market promises a wider variety of services and products from banks, including computerized home banking, EC-wide credit cards, automatic funds transfers, insurance, share dealing, fund management, mortgages and even travel agencies.

According to a Price Waterhouse study, the cost to consumers of banking services will fall by 11 percent across the EC: 5-8 percent in the Benelux countries, 9 percent in Britain, 13 percent in France and West Germany and 20 percent in Spain. The cheaper cost of financial services will help reduce inflation across the EC by 0.7 percent and add 1.5 percent to the EC's gross domestic product.

Those figures, of course, are based on the assumption that the EC members resolve their many differences.

Some obstacles are largely technical, such as setting standards for capital adequacy and solvency. Rules must be established for counting assets and setting assessment-versus-risk ratios.

Another technical obstacle is the formula for calculating and publishing

interest rates. There are currently four different methods of calculating rates within the 12 countries, and those rates can vary on an annualized basis by as much as a half a percent. Some standard must be set so that the 10 percent rate advertised by a bank in one country equals the 10 percent advertised in another country.

In approving the directive lifting currency controls last June, the EC finance ministers instructed the European Commission to come up with a compromise on taxation. France, particularly, fears that lifting controls will trigger a flight of capital to other countries where taxes are lower.

"The possibility for each state to safeguard methods for financing priority economic sectors should also be assured without limitation. What sense would the creation of a unified market have if a financial product is still taxed at 10 percent in one country and 33 percent in another?" asks Maurice Benuslitho, manager of the Centre National des Caisses d'Epargne et de Prévoyance in Paris.

Two other aspects of single-market financial services are controversial because of Britain's concern. One is the provision that banks, even those operating in other countries, continue to be regulated by their home countries rather than their host countries. Britain fears that its new, more strin-

gent Financial Services Act will hamstring British institutions trying to compete against institutions from other countries.

The EC says that competition will gradually force standardized regulation. Geoffrey Fitchew, director general of financial institutions and company law for the EC in Brussels, says banks competing in their own countries with foreign banks that offer more services "are likely to prove effective lobbyists for new freedoms."

But Timothy Sweeney, deputy head of banking supervision for the Bank of England vows, "We will not support a general drift to the lowest common denominator."

Britain is also concerned that it will be unfairly penalized by the EC banking directives' proposed rules on reciprocity. These rules say that non-EC banks may be barred from operating anywhere within the EC if they discriminate against or deny access to EC banks that want to operate in that country.

In Britain, where 400 of the 600 banks in the City of London are foreign-owned, the fear is that, for example, all U.S. banks might be ordered to close down if Italy or Greece were to claim that there weren't enough Italian or Greek banks in the United States.

Timothy Harper



Steve Schleisman, CEO of UNAT: "1992 is a business issue."

The non-life directive is due to be in force by 1990

common policy that could be issued to consumers in every European country is still "a long, long way away." Today, according to Peter Seegar, a corporate planner with Aegon insurance in The Hague, Royal Insurance is among the small number of giants - including Allianz, Zurich, UAP and Generali - that can consider themselves invulnerable.

The cluster of companies in what he terms "the second division" could all become targets for takeover by others seeking to broaden their portfolios and European coverage. These targets are loosely defined as having revenues of around \$5 billion and a market capitalization of \$2-4 billion.

In this context, attack is often the best means of defense. Patrice Alain-Dupré of the Paris-based Compagnie du Midi concedes that one of the major gains his company made by acquiring British insurers Equity & Law was to strengthen its capitalization.

Steve Schleisman, who heads UNAT, the European arm of American insurance giant AIG, is confident that more insurance capacity and greater choice will be available to European risk managers in coming years. But he adds: "I believe big changes are coming in the industry because big

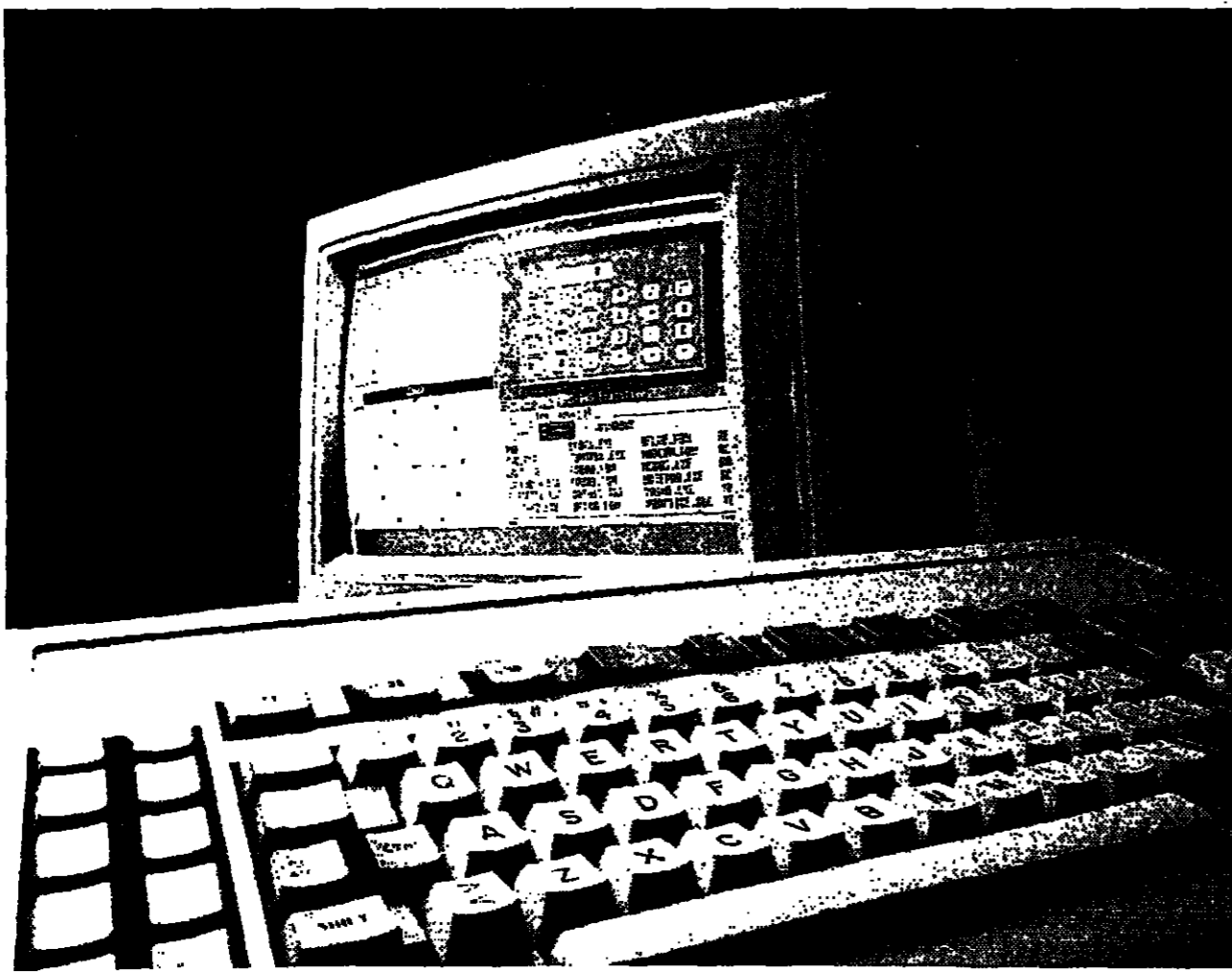
damage and financial loss. Yet immediately following the Treaty of Rome, it was hoped that harmonization could lead to such barriers being dropped by December 31, 1968.

Initial progress was particularly swift in the field of reinsurance, where a series of directives governing the right of establishment and services were passed into law by 1964. Other directives fared less well.

A fresh start was made in 1985, when the EC issued a White Book that proposed a more pragmatic solution, based on mutual recognition. In addition, to avoid the possibility of deadlock, it allowed decisions to be taken by a majority vote.

The following year, a crucial judgment by the European Court ruled

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1992 The World's Rendezvous With Europe

Retail Banking / In Pursuit of the Euroconsumer

Consumer Credit Given Top Priority

Seventy-two percent of banks taking part in a recent survey conducted by the European Financial Management and Marketing Association (EFMA) placed their main hopes for increased profitability on retail-sector business. Consumer credit was seen as the biggest potential earner, and most respondents stated they were giving top priority to reorganizing their branch networks.

"The single internal market already exists in the banking sector. It will radically alter the rules of the game," suggests KPGM Peat Marwick Consultants in a report drawn up for the French banking association. "Competition in the provision of financial products and services to private cit-

mortgage finance for house buyers, is the first British building society to try its luck on the other side of the Channel. "We are offering mortgage loans to the Spanish public on conditions similar to those obtainable in the U.K.," explains Paul Gardnei-Bougaard, Europe and offshore development manager at the Abbey head office in London. "For instance, repayment can be linked with endowment life insurance, terms can stretch to 25 years, and interest rates are variable throughout the life of the loan."

British residents who find their dream cottage in France can turn to the U.K. office of the French Crédit Agricole group for help. "The loan can be made in either francs or pounds," explains Françoise Bilton at the group's central office in Paris. "Our London branch deals with the paperwork, and funds are available through the local Crédit Agricole in the same region as the house."

However, mortgage lending remains one of the most domestically minded sectors of personal finance. Procedures are closely tied to the varied real estate laws of each EC member country, mortgage funding methods differ widely, and in many cases loans are still extended through specialized institutions subject to government regulation based on national housing policy.

In Spain and Italy, for instance, the government uses special long-term instruments to direct financing techniques. In France, the state-run Crédit Foncier accounts for over 30 percent of the total market, while in Belgium two para-statal bodies deal with all subsidized mortgage finance and account for some 42 percent of the total home loans market. Savings banks and specialized mortgage lenders dominate in West Germany, and mortgage conditions are tightly regulated.

A draft EC directive on mortgage lending has so far failed to obtain general approval, and the Commission in Brussels is now taking a different approach. "As a first step we are trying to include home loans organizations with other credit institutions in a general directive," comments a Commission official. "This will deal with mutual recognition of licenses.

We can then see whether a special mortgage provision is still needed."

EC member states recently introduced a common format for national identity documents. But the plastic bank card could soon become the real passport to Citizens' Europe.

"It is important for the Community that cards issued in one member state can be used in the others," the Commission reminded the Council of Ministers at the beginning of 1987. "Technical compatibility must therefore be the aim, to be achieved notably through standardization. In this way the Community will take a major step toward the completion of an internal market for payment systems."

Each country has its own network of automatic cash dispensers and point of sale systems, while three major card systems currently compete across Europe. Eurocheque is a paper-based check guarantee system, launched in 1968 with backing from West German banks. It is now pushing into the electronic age by offering international links to members.

Eurocheque also has a 35 percent shareholding in Eurocard, a charge card system prevalent in Northern Europe. Visa International, a spin-off from the BankAmericard launched in 1958, but now an independent organization, is strongest in the south.

Forty banks from 17 European countries form the membership of the European Council for Payment Systems, set up in 1978. The card system operators are not admitted to membership, though each bank in the council adheres to one or the other of these systems.

In October last year the council concluded an accord aimed at making all their payment cards and systems compatible by the early 1990s. This agreement covers both automatic teller machines and point of sale setups.

"The council does not itself operate any payment networks," explains Thomas Slattery at the organization's Brussels office. "Rather it provides a forum for senior bankers dedicated to the orderly development of payment systems in Europe."

Some fear the development may be a bit too orderly, and that the accord will be anticompetitive in its effects, particularly with regard to nonbank



The major card systems currently compete across Europe.

Diplomacy / Summit Fallout

Fortress Europe?

The Aspen Institute for Humanistic Studies prides itself on organizing quiet, high-level meetings on crucial issues, which rarely attract much outside attention. But last month, behind the closely guarded walls of the medieval Carlsy chateau in Normandy, sparks flew over one of the key issues on this year's agenda: 1992 — its implications for Europe and the world.

Raising the prospects of increased trans-Atlantic conflict over the 1992 plan during the next year, senior European and American businessmen and political leaders attending Aspen's annual world economic seminar were unusually blunt. "After hearing what I did here, I'm even more negative about Europe than when I came," said Senator Bob Packwood, Republican of Washington, one of about 50 participants. "These people don't want free trade at all, so as I told the meeting, we should push them as hard as we can to be more open — or else look to our friends in Asia."

More moderate, but equally ominous reactions about Europe's apparent drift toward protectionism came from other participants, which included senior executives from AT&T, IBM, Goldman Sachs, Compagnie Saint-Gobain, Matra, Havas, Fiat, and the World Bank. Responding to the harsh criticism, EC Commission official Jérôme Vignon said that although the Community's push for a borderless Europe was "irreversible," it will seek

to avoid discriminating against non-EC companies operating within the EC. "He did his best to defend Brussels, but many of us were unconvinced," said one of the executives. "And we are worried."

Some Aspen participants warned the EC Commission that it was failing badly in communicating its message about 1992 to its trading partners, notably in the United States and Asia. "Brussels doesn't seem to realize that the farther you are from Europe, the dimmer the message, and the greater the misunderstanding," said Jacqueline Grapin, economics correspondent in the U.S. capital for Le Figaro and a board member of Aspen. "My feeling, and of others in Washington, is that they should be trying to improve the 1992 image — fast, before it is too late."

At a news conference in Paris following the conference, Richard N. Gardner, former U.S. ambassador to Italy and co-chairman of the seminar, said that a report on the meeting was being prepared for the new American president and would be delivered shortly after next month's U.S. election. Gardner said that he and former U.S. trade representative William Eberle, co-chairman of the conference, will recommend to the new president that his administration pressure Europe to make sure that 1992 protects the interests of the United States, while remaining committed to an open global trading system.



At the Carlsy Chateau in Normandy. Left to right: Robert McNamara, former head of the World Bank; Umberto Agnelli, vice chairman, Fiat group; Hisashi Owada, Japanese ambassador to the OECD; Denis de Kergorlay, director of Carlsy and Gauthier Sauvagnac, senior French government official.

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Timothy Sw

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1992 The World's Rendezvous With Europe

Central European Bank / The Debate Intensifies

Monetary Union Versus Independence

Pipedream, necessary evil, good idea, or plain common sense? These are just a few of the reactions that mention of a Central Bank for Europe can elicit from politicians, bankers, industrialists and Eurowatchers in general.

Although the idea has become a focus of tough talking only in the last few months, it is not new. For the supporters, some kind of common central authority to take charge of a common currency is built in to the principle of European monetary union, which itself is enshrined in the Single European Act. So why the howls of anguish and the declaration of British Prime Minister Margaret Thatcher "not in my lifetime" when the question is raised? And, if monetary union is inextricably linked to the

of a high-powered committee created at last June's EC ministerial summit. The committee, chaired by EC Commission President Jacques Delors, is to propose "concrete steps toward economic and monetary union." The 17-member group is due to complete a draft report in April so the Community's finance ministers can mull over the conclusions before discussions begin in earnest at the Madrid summit next June. The committee, made up of the central bank governors of the 12 Community countries, three "wise men" and two EC representatives, got off to a "positive" start in Basle, participants said. But as they could not agree on the importance of monetary union, not even the vaguest of timetables for reaching the goal was set.

Politicians do not always have the last word over monetary issues. In West Germany, the central bank (Bundesbank) acts independently of government, whereas in France, Italy and to an extent in Britain, the position is reversed. So even if countries agreed on the notion of a central European bank, they would still have to decide who would pull the strings: the governments, the 12 central banks or the European institution itself. Basically, this leaves Europe with a choice of three formats for a common authority. The EC could either replace the national central banks or set up a U.S.-style Federal Reserve System controlled by the 12 central bank governors. Alternatively, it could opt for coexistence, with central banks transferring some cash to a Bank of Europe in order to fund the issue of European Currency Units (ECUs).

Valéry Giscard d'Estaing, former French president, and Helmut Schmidt, former West German chancellor — ardent advocates of monetary union — favor a Federal system and the use of ECUs alongside countries' own currencies. But apart from the political stumbling blocks facing these ambitions, a more immediate question is whether 1992 is doomed to failure without monetary union. The pro-union lobby fears that free cross-border flows of capital from 1990 will already strain the European Monetary System (EMS), the present mechanism for controlling exchange rates between most of the major European

currencies. Advocates of integration argue that cash would pour into countries with strong currencies (West Germany in particular), depriving the others of foreign investment and further weakening their currencies.

Even if 1990 comes and goes with no monetary union and no catastrophic consequences, the next flashpoint will come when the trade barriers fall in 1992. Already goods are shifted around to take advantage of exchange rates, thus putting pressure on distribution networks, according to Bertrand de Malgret, General Representative of the Paris-based Association for the Monetary Union of Europe. "It would be an anachronism to have the free movement of goods without a single representative value," he said. Industry is now taking over from politicians in accelerating the advance, Mr. de Malgret added.

Economists do not necessarily consider that monetary union should be a top priority, however. "The success of the single market does not depend on a central bank, although it would help," said Rainer Veit, Senior Economist at Deutsche Bank. He thinks it highly unlikely that monetary union either should or will be reached in the foreseeable future. "More urgent and controversial tasks like harmonizing taxation and subsidies should be tackled first," he said.

Europe must follow a logical order of events, a French government official said. "It should first strengthen the EMS, then introduce a single currency, and finally set up a central bank," he added.

Paul Horne, International Economist at the U.S. investment house Smith Barney, Harris Upham in Paris, thinks a common European currency will operate in parallel with national currencies in the medium-term, while the "phenomenally successful" EMS is perfected further. "There will be no miracles in the Christmas stocking in 1992," he said. "The danger is in presenting the single market as a pipedream — it should be a process of evolution."

Bankers welcome the prospect of monetary union, but feel it is up to governments and the authorities to commit themselves to implementation. "The banking sector has played its part in promoting the use of the



British Prime Minister Margaret Thatcher: "We should not try to run before we can walk."

ECU," said Gilbert Lichter, General Secretary of the 88-member ECU Banking Association in Paris. (The Association is the clearing house for ECU deals.) "Bank assets denominated in ECUs soared from \$28 billion worldwide at the end of 1984 to \$110.2 billion in March this year," he said. "But more than 80 percent involved interbank transactions, which shows the ECU is still a long way from the man in the street."

Overall interest in the currency inside and outside the EC has intensified this year, however. The British government announced recently it would issue short-term Treasury Bills in ECUs, Lichter pointed out. "Three Japanese banks are already members of the Association, and others have applied to join," he added.

Witfried Guth, president of Deutsche Bank, explained recently that monetary union would increase productivity in Europe, improving competitiveness and promoting economic growth. This, in turn, would boost banking activity and profits, he said. But on the negative side, banks would lose some of their foreign exchange earnings if Europe adopted a single currency.

Although the debate over a central bank will no doubt rage on, no decision can be expected until next year after the committee chaired by Jacques Delors has delivered its recommendations on "concrete stages" toward monetary union.

The advent of a central European bank might seem remote now, but as Deutsche Bank's Veit said, James Bond probably got it right when he said "never say never."

Barbara Casassus

Consultants / Making a Market

Expertise is in Demand As Countdown Continues

"Are you ready for 1992?" asks a questionnaire sent to company chiefs by KPMG Peat Marwick Consultants in France. Throughout Europe, consultants believe the answer is "no," and are setting out their stalls accordingly.

Suddenly everyone from university professors to organizers of business conferences is peddling wisdom on the coming single market. Firms offering advice range from long-established multinationals to outfits where the chief executive mans the switchboard and makes the tea. Accountants, management consultants, business schools and international law

firms are all eager to sell their expertise.

"Financial services and transport could be two key areas," comments Christine Petzold, head of CP Consult near Paris. "One of our main aims is to help clients keep abreast of developments in Community legislation and support them in their relations with the European institutions."

Each major capital has its own crop of Euro-advisers. Brussels shelters the largest single concentration, with some 200 firms currently offering packages related to 1992. According to a recent survey carried out by The Economist in London, the total market across Europe could bring in more than \$200 million this year.

American firms are already well-embedded in the business. Knowledgeable lone rangers willing to provide the benefit of their individual experience include former EC Commission staff members, diplomats, journalists and business executives who have worked in Brussels. Fees can reach \$1,000 a day.

One newcomer is Euromanagement Consultants, a small French company that set up shop in Paris at the beginning of the year. With a total staff of 10, it is specializing in financial sector studies, and prepares reports

Consultants could earn \$200 million this year

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for general sale as well as advising individual customers.

For many of the larger firms, corporate restructures and help with mounting or resisting cross-border takeover bids are particularly profitable fields. "Companies look to us for different things according to their size and international experience," explains Gerard Van Kammel, chairman of Arthur Andersen in Paris.

"A large multinational will have considerable in-house expertise, and might turn to us for advice on one or two specific strategic issues," Van Kammel continues. "A smaller company may need detailed help with a whole range of subjects, including competition and tax policy as well as more general planning questions."

The effects of Community regulations and directives in particular sectors are a good source of business for specialists setting up their own consultancy practices. Complex technical standards in the telecommunications industry and health rules relating to agriculture provide two examples.

Not everyone feels the need to go outside for advice. For instance, ICI in London relies on its own internal plan-

ning department. A number of large British banks have hired eminent academics or other consultants to tell them what Europe is all about.

Will all these advisers be celebrating the end of their jobs on New Year's Day, 1993? Almost certainly not. Few experts think that the single market will be fully operational by that date. Even when it is, consultants can hope for continued pickings from companies grappling with the new rules.

Michael Rowe

Europe has the choice of three formats to follow

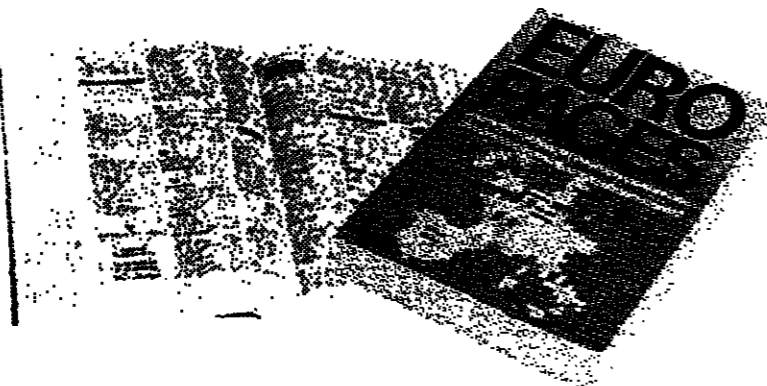
success of post-1992 Europe, why have the 12 European Community (EC) countries waited until now to bring it to the negotiating table?

One answer is the political and technical complexity of the issues involved. Thatcher's resolute opposition to the proposal illustrates the political hurdles. While stating her opposition to the idea of a central European government, she also says she could not envisage Britain's renouncing control over monetary matters — the responsibility of a central bank — until there is political union of the 12.

With monetary union, governments would no longer be able to devalue their currency to recover export competitiveness. Instead they would have to let real wages fall, a risky endeavor politically. Moreover, by pooling their cash reserves, they would be sharing their wealth as well as their burdens. In contrast to Thatcher's opposition, France is enthusiastic on the whole. Germany seems to have warmed to the idea recently, and Italy, Belgium and Holland are in favor of the principle.

Divergences among Europe's central bankers surfaced clearly at the first meeting in Basle early this month

How much British interest will these pages yield for a German banker today?



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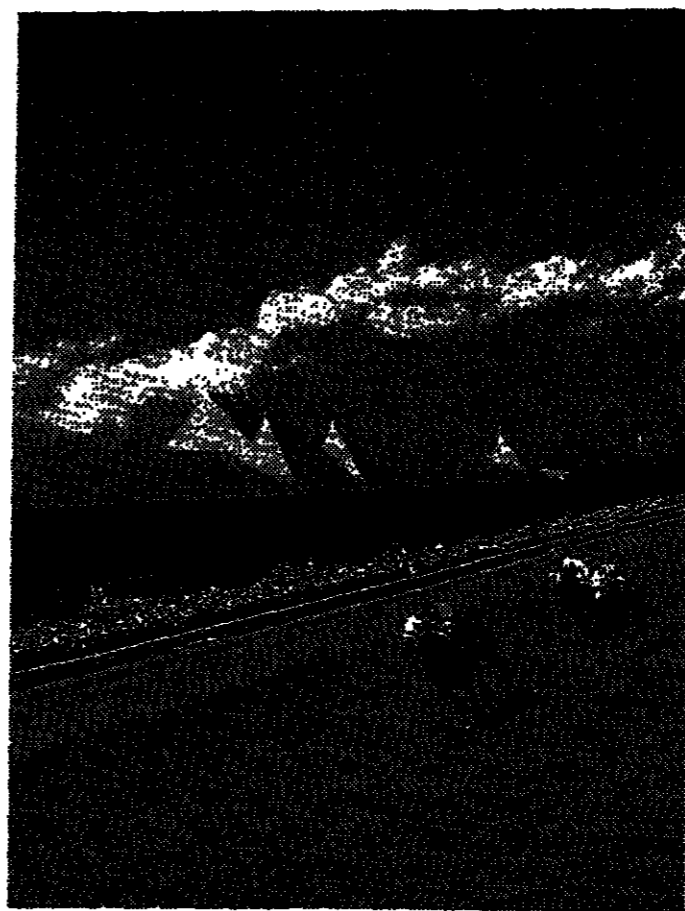
Like the transport company in Toulouse which uses it to find fleets of trucks in Spain. The British manufacturer which uses it to order chemicals from Germany. And the company in Eindhoven which uses it to buy Belgian components.

That amounts to a lot of current interest. And makes Europages a sound investment for the future, in anyone's language.



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1992

The World's Best Investment Opportunities

Demand Continues

While many American and European financial institutions have been retrenching since last October's Black Monday, the Japanese banks and securities houses operating in the EC seem intent on continuing to grow in anticipation of 1992.

Yamaichi, one of Japan's — and therefore the world's — leading investment houses, is an example. Since the stock market crash last October 19, Yamaichi International (Europe) Ltd., based in London, has won a U.K. banking license and staked out its claims to become a major player in European corporate finance.

Like a number of other Japanese firms in the EC, Yamaichi is taking advantage of the skittishness among American and European competitors to hire away experienced employees who have been laid off or become disgruntled by the retrenchments.

The strong yen and Japan's huge trade surpluses have given its banks and investment houses huge capital reserves and allowed them to operate at higher volumes and lower profit margins than their competitors.

Consequently, the Japanese financial houses in Europe are scooping up business that has been neglected by the American and European firms in their post-crash concentration on high-profit cores.

Unless more European banks and investment houses begin gearing up to compete for single-market business, some experts warn, the Japanese firms will have a commanding position. Gary Harrel of the London Business School says: "1992 is not about European competitiveness, it is about global competitiveness for European companies."

Only 31 of the 600 banks in London are Japanese, yet they account for 36 percent of London's international banking business, compared with just 13 percent for U.S. banks based in London. Among investment houses, five of the top six firms in lead-managing Eurobond issues are Japanese. Nomura, the leader, last year managed more than \$18 billion worth of Eurobond issues, nearly twice as much as the nearest non-Japanese competitor, Credit Suisse First Boston.

Yamaichi, one of those Japanese firms leading the Eurobond league ta-

Japan / Corporate Finance

EC Becomes Battlefield for Investment Houses

bles, sees a boom in corporate finance growing out of the EC's march toward a single market.

Michael Hutchinson, director of corporate finance at Yamaichi's European headquarters in London, cites the many companies — not only European, but also multinationals — that have been and will be raising money and repositioning themselves.

"There are significant 1992 opportunities, especially in mergers and acquisitions, and especially among companies that have to take into account the effects of 1992 on their markets," he says.

Yamaichi, like other big Japanese institutions, is offering itself for full-service, one-stop shopping for all manner of cross-border deals: money moving from Japan to Europe, from Europe to Japan and, less often, from one European country to another.

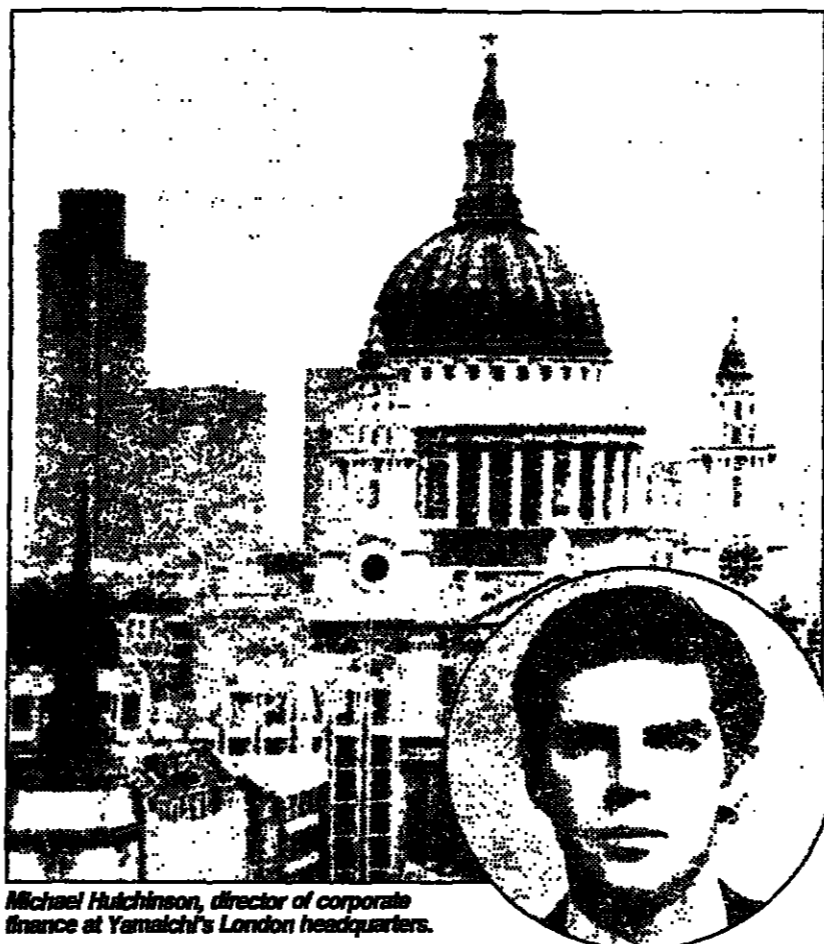
Mr. Hutchinson says there have been several instances where European firms come to Yamaichi seeking Japanese buyers, and Yamaichi has found them better deals closer to home, with other European firms. "It's happened, but unintentionally," he says. "I don't think at this stage a company would engage us purely to find a European buyer."

Some observers, notably David Shirreff, a consulting editor for Risk magazine, believes Europe's single financial market could prove to be a staging area for the expected showdown for world dominance between U.S. and Japanese investment houses when those countries lift their rules barring banks from the securities field and vice versa, as they are expected to do by the end of the century.

"Europe is the only place where full-service financial institutions are permitted to operate," Mr. Hutchinson points out. "In the U.S. you have to be either a bank or a securities house. It's largely the same in Japan."

However, he says the Japanese thrust toward full-service institutions in Europe would be happening even without the prospect of a single market. Despite the increase in corporate finance activity, he says, considerable doubt remains over the development of the overall securities business in Europe.

"The hope of the promoters of the



Michael Hutchinson, director of corporate finance at Yamaichi's London headquarters.

integrated European market is certainly that Europe will become as large a market as the United States and more significant, but I guess there remains a certain amount of skepticism among both American and Japanese, especially given the track record of non-cooperation among the European countries," he says. "Generally, Japanese companies are more concerned with getting into the U.S. securities market. They're not convinced about the market in Europe."

On the other hand, a recent report by Salomon Brothers in London predicts substantial growth — 5 to 10 percent per year — in investment in foreign equities by 1995, and cites the

EC's single market as one of the major forces behind this trend.

The report by Michael Howell, Salomon's chief European strategist, says that many corporate restructurings among EC companies will take place, primarily through stock exchanges. He expects a considerable boost in cross-border equity flows among EC countries.

The report said that during the first quarter of 1988, Japanese investors poured more than \$1.5 billion into Europe, most of it on London's International Stock Exchange, compared with just over \$1 billion into U.S. shares.

It further noted that, in 1987, Japa-

nese investors overtook the British as the largest investors in global equities. To facilitate further investment from Japan into the EC, many firms are expanding into Europe. Nomura, for instance, is now planning to open research offices in Paris, Frankfurt and Brussels.

Also, several Japanese commercial banks have announced that they will begin offering corporate loans to EC companies, concentrating first on West Germany. Sumitomo Bank opened its Frankfurt office in early September, and Fuji Bank follows in October.

Another Japanese bank, Mitsubishi Trust, is opening its Frankfurt operation next year in a joint venture with West Germany's Westdeutsche Landesbank.

Meanwhile, some European leaders are briding at the Japanese expansion into the EC at a time when the foreign share of the assets of Japanese financial institutions is dropping — from 4.4 percent in 1979 to 3.8 percent in 1987.

The Bank of Japan says foreign institutions' stake in the Japanese banking industry has declined from 3 percent in 1979 to less than 1 percent in 1987. Even in foreign exchange, historically one of the strengths of foreign banks in Tokyo, their share has fallen from 38.5 percent to 31.4 percent since 1979.

In London, Yamaichi's Hutchinson says he is not overly concerned about the proposed reciprocity provisions in the EC's 1992 directives. Under those proposals, Japanese firms could be barred from operating anywhere in the EC if Japan discriminated against any individual EC country or firm trying to do business there.

"There's nothing new in that, really," Mr. Hutchinson says. "The threat has been around for a long time from individual European countries. What's new is the possibility of a unified threat."

He adds, however, that he doesn't think Japan deserves the image of a country trying to keep foreign firms out of its markets. "I certainly have the impression that Japan is trying very hard to make its markets as accessible as possible to foreigners. The Japanese recognize that if that doesn't

happen, they'll find themselves excluded."

For example, the delaying action against Nomura by Prime Minister Margaret Thatcher earlier this year was widely viewed as her way of telling Tokyo she was unhappy that its markets were not being opened more quickly to British firms.

Mrs. Thatcher blocked Nomura's application to act as a market-maker for U.K. gilts, but after a few weeks the license was granted.

In one of the most recent liberalization moves affecting foreign institutions, Japan's six largest banks announced on September 8 that they would begin tying their short-term prime rates to money market rates instead of the Bank of Japan's official discount rate.

The change, which could happen as early as November, follows the deregulation of deposit rates, and is expected to have the practical effect of weakening the traditionally close links between the big Japanese banks and Japan's massive industrial corporations. Even if they offer competitive interest rates, however, it remains to be seen how much major-corporation Japanese business foreign firms can lure away.

Because Japan has relatively little history of M&A and Western-style corporate finance, Japanese firms in Europe generally rely on non-Japanese experts such as Yamaichi's Hutchinson to oversee these operations.

After buying a 20 percent stake in the Wall Street M&A boutique Wasserstein Perella for \$100 million, Nomura recently announced the formation of Nomura Wasserstein Perella in Tokyo. The new firm will specialize in advising Japanese companies on foreign M&A opportunities, including in Europe.

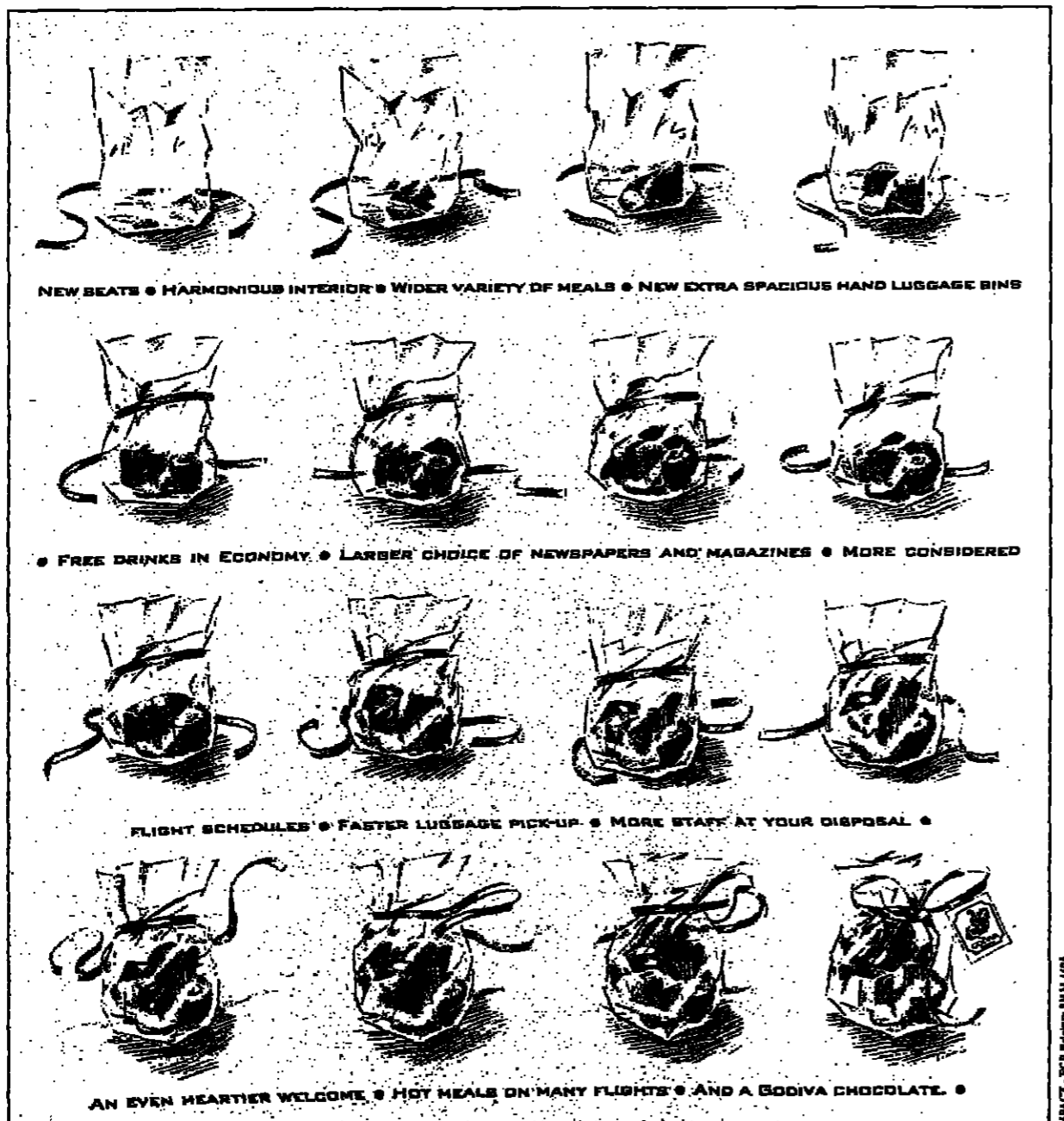
Increasingly, Japanese institutions are relying less and less on Japanese staff posted to Europe, except for their top management. It is estimated, for example, that Japanese nationals account for only 20 percent of the 5,000 employees working for the 13 Japanese banks and assorted investment houses in London.

Europeans working for Japanese firms generally say their opportunities for career advancement are better than they were at the European firms they left — as long as they don't aspire to the very top, which will always be Japanese dominated.

Timothy Harper

Michael Row

992



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1992 The World's Rendezvous With Europe

Investment Services / A Case Study

Futures and Options for a Securities House

The EC's directive on investment services is not as far along the approval pipeline as the banking directive. It is still taking shape before the European Commission, the EC's executive arm, while the second banking directive, which also covers the securities activities of banks, could gain final approval from the European Parliament this winter.

But the investment services directive is expected to offer the same sort of prospects for stockbrokers and other nonbank financial houses. Like banks, investment houses authorized to operate in one EC country will be

able to operate freely in all 11 other member nations.

M&A activity: 450 deals worth \$20 billion in EC

James Ferguson, the deputy chairman of James Capel, believes the London-based securities house eventually would have expanded into continental Europe even without the prospect of a single financial market.

"But 1992 certainly helps," he adds. "It makes it easier for us to offer our services throughout Europe. And it

offers us quite a good opportunity to compete on a more level turf." "The importance of Europe to us is very simple," Mr. Ferguson says. "The big forces in the business world are now American or Japanese, and the reason for that is their big domestic bases. It's unlikely we can play in the same league if all we're offered is the U.K. as a base. But if we redefine our home market to include all of Europe, we can compete."

The speculative money flows in Europe will increase in volume and volatility, and the corresponding liquidity should increase business even more. "As companies are offered more equity financing, the markets will be more liquid and bigger," Mr. Ferguson says. "The greater liquidity will mean more money in the markets, and faster-developing markets."

Corporate finance is already booming, largely because so many European companies are raising capital and repositioning themselves in anticipation of 1992: underwriting new issues, joint ventures, disposals, valuations, advisory services and mergers and acquisitions. This year there has been more than \$20 billion worth of M&A activity in Europe, with a reported 450 takeovers and mergers against 303

last year and only 117 as recently as 1983.

James Capel has also increased its operations in the rest of the EC. The company bought two other brokerage houses, Dufour Koller Lacarrière in Paris and Van Meer in Amsterdam, and opened its own representative office in Frankfurt.

"We went to Holland not because it was an obvious case, but because we could buy it and it was a cosmopolitan atmosphere," Mr. Ferguson says. "In France, we got a firm that was not very successful but had a good name. We made an aggressive turnaround with new premises, expanded research and new products. In Frankfurt, we felt that Germany is such a major part of Europe that we needed our own presence there."

Mr. Ferguson points out that some exchanges desperately need upgrading before 1992. "France, for example, needs a lot of money for technology," he says. "The interesting question is where that money will come from."

He says firms joining the Paris Bourse expect to pay entry fees in excess of \$1 million — "and probably a lot more than that." If an exchange becomes too expensive, he says, it

will simply move offshore through screen-based trading; to salvage national pride and keep their exchanges open, some countries may find themselves faced with hefty subsidy payments.

The EC's investment directive is expected to contain the same sort of reciprocity provisions as the sections of the banking directive that have drawn opposition from the City of London, the European base for so many foreign securities houses.

Mr. Ferguson is also concerned about the home-versus-host rules proposed in the investment directive. Under the proposed draft, an investment house would operate under its home country's rules for capital adequacy and acceptability of major shareholders, but under the host country's rules for marketing and advertising.

It's still up in the air whether home or host rules would apply for other conduct-of-business regulations such as conflicts of interest, compensation for default or bankruptcy and segregation of client funds.

"The U.K. has some extremely tight rules for the security business," Mr. Ferguson says. "If based in the U.K., those rules can hurt you in com-



James Ferguson, deputy chairman of James Capel.

petition against firms from Germany or Italy, where the rules are easier. They can compete here in London with their set of rules."

For example, he says, signing up a new client in London can require filling out 64 pages of forms, compared with a single page in Italy. "The hope is that they'd harmonize the whole lot before it starts," Mr. Ferguson says.

Without more standardized regulations across the single market, he says, the issue of compensation funds for default will raise more problems. "If you have tight regulations, if your capital adequacy rules are OK, there's no need for as much compensation," Mr. Ferguson says. "But if firms have to put up a lot of money to support competitors' failures, it's not fair."

Capitals / Relocation Talk

To Brussels?

Brussels continues making quiet headway toward becoming Europe's political capital. The plan is contained in the "Brussels-Europe Area," a recent Belgian government study outlining planned renovation extending from the Avenue des Arts and the Parc Cinquantenaire to the Quarter Leopold and the district surrounding the Rond-Point Schuman, site of the EC headquarters complex. An international conference center will be built in the area, and it could house the European Parliament, although just mentioning the prospect of the Parliament's leaving Strasbourg sparked immediate and firm denials from French government leaders. Nevertheless, La Point, a French weekly, reported earlier this month that the European Parliament is preparing to rent 300 offices in Brussels for parliamentarians as a first step away from Strasbourg, and the difficulties of plane access to Brussels will become our capital," said a British parliamentarian. According to business sources in the Belgian capital, there are already more lobbyists and consultants working in the city than the 15,000 "Eurocrats" working for EC institutions.

Conference Schedule / Aspects of the Integrated Market

From Media to Mergers

1992-A Single Minded Vision: Marketing and Media Across One Market. Sponsored by the International Herald Tribune and Leo Burnett. Amsterdam, October 4.

Europe and the Construction Industry - 1992. Sponsored by the Moniteur magazine. Paris, Barcelona, October 5-7.

The Changing Economics of Telecommunications. Sponsored by Alcatel N.V. Monaco, October 6-7.

The External Implications of the Single European Market. Sponsored by the Royal Institute of International Affairs and the Confederation of British Industry. London, October 11.

1992-The New Europe. Sponsored by the Frankfurter Allgemeine Zeitung. Frankfurt, October 14.

East-West-The Future of Trade and Economic Relations. Sponsored by the Club de Bruxelles. Brussels, October 26-27.

1992-Threat or Opportunity. Sponsored by the Scottish division, Institute of Directors. Glasgow, Scotland, November 25.

1992-Dutch Management and the European Market. Sponsored by the KPMG group and REAT Software & Computer Services. The Hague, December 15.

Europe 1992 and Beyond. Sponsored by the Financial Times. London, November 21-22.

International Mergers and Acquisitions in the 1990s. Sponsored by the International Herald Tribune and Skadden, Arps, Meagher & Flom. London, November 10.

1992. A series of conferences are being sponsored by the Sunday Times in the following U.K. locations: Birmingham (October 11), Glasgow (November 8), Manchester (November 16), Cardiff (November 24) and London (November 29).

Open Questions/The View From Wall Street

U.S. Increases Presence in EC

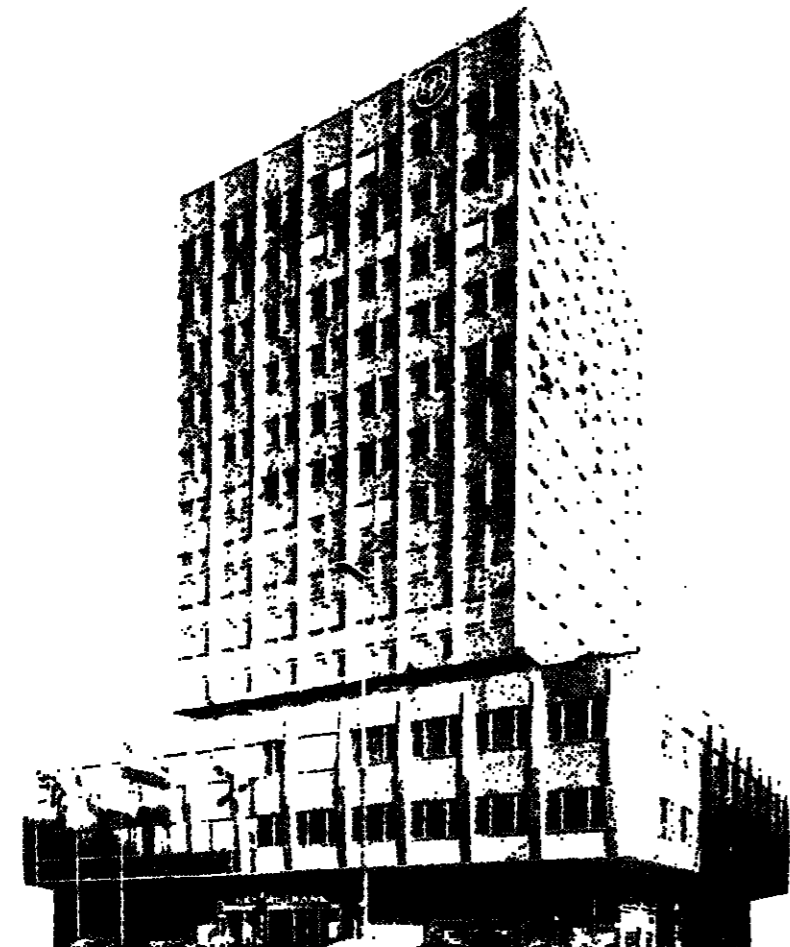
Mention 1992 to some members of the Wall Street financial community and they presume it is a reference to the recent level of the Dow Jones industrial average. But despite occasional ignorance on the Street, major American banks and financial institutions are steadily preparing for the more integrated, less regulated European banking, insurance and securities market of the 1990s. "Nowhere will the changes promised by the 1992 integration be more profound, or have more far-reaching effects, than in the financial services arena," predicts Dennis Weatherstone, president of J.P. Morgan & Co. Many American observers expect that changes wrought by 1992 will enable American institutions to offer a full spectrum of wholesale and retail banking and financial services across European borders. Consequently, the most visible 1992-related effect to date is an increase in the physical and financial presence of American firms in European capitals. While London remains their most obvious commitment, a growing number of companies are betting on a decentralization of financial

While most Americans feel the momentum will continue, not everyone is optimistic

markets and moving closer to currency borrowers and investors in individual countries. "We are quickly establishing a physical presence throughout Europe due to new investment opportunities created by 1992," explains Francois de Saint Phalle, senior executive vice president at Shearson Lehman Hutton, which has a financial stake in Carlo De Benedetti's CERUS group and has created a fund for investments in medium-sized German companies. "To be a true European player we need access to each domestic market." Major banks, like Chase Manhattan and Citibank, have long had operations in Europe. A spokesman for Citibank acknowledges: "We don't expect the liberalization of European capital markets to occur overnight, but we are certainly preparing to participate in 1992." 1992 has also altered the American perspective on Europe as a part of its global investment strategy. "The investment potential of a unified Europe cannot be ignored, and we are looking for opportunities," says United States Trust Company senior vice president Harry Rowney, who favors companies with cross-border activity in areas like television production and telecommunications. The fear that a unified Europe may introduce protectionist restrictions in the financial arena is perhaps one obvious reason American companies are currently implementing plans to increase their investment and presence in Europe. Some firms, conscious that reciprocity must exist for European banks to enter America, are also lobbying for future parity in the American marketplace. "All the signals suggest that EC member countries will not be shy about seeking reciprocity from the U.S. between now and 1992," says Mr. Weatherstone. "But the demands for reciprocity are likely to contribute greatly to the momentum for reform of the laws governing the fractured financial services industry in America." Naturally it is the implementation of many 1992 directives, currently in the discussion stage, that will ultimately determine the outcome of the protectionist issue. There is the added expectation that pan-European deregulation will lead to mergers, joint ventures, general consolidation and even hostile takeovers throughout the banking and financial services field. Americans point to the unprecedented battle earlier this year for control of Société Générale de Belgique and the mergers of a number of banks in Spain as steps in that direction. Indeed, numerous American executives expect deregulation in the 12 European countries to be the first global test of the convergence of banking, insurance and financial institutions. While there is an obvious reluctance to identify potential takeover targets — and some observers expect that growth through acquisition in Europe could backfire — few American institutions are ignoring the potential of Europe. And they acknowledge that the expansion and activity prompted by 1992 will undoubtedly lead to challenging organizational and management issues. How are Europeans reacting to the increased infusion of American financial and banking institutions on their turf? "We may be perceived as cowboys, but Europe and the rest of the world definitely want to get on the horse," explains Mr. de Saint Phalle, referring to the unorthodox takeover bids that occurred in the United States during the 1980s. While most Americans feel the momentum toward post-1992 unification and deregulation will continue, not everyone is optimistic. "I have watched the EC since its inception, and feel that if integration does occur it will be a boon for the Europeans and a setback for Americans and other foreigners," concludes a Vienna-born economist living in New York. But even the skeptics recall that a Dow Jones average of 1992 seemed a bit farfetched four years ago. Joel Stratte-McClure

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KEY FIGURES (in million of LUF)	1987/88	equivalent in Mios. US\$	change in %
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Capital and reserves *	6,551	188	+ 10.3 %
Borrowed Capital	3,173	91	- 22.3 %
Provisions	14,014	402	+ 21.2 %
Net profit	1,122	32	+ 35.4 %

* including profits brought forward, after distribution of profits (recharge rate as of March, 31st 1988 at US\$/LUF 34.50)

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1992 The World's Pension Funds

Luxembourg / Concessions to Change

Clients Back Moves Toward Collective Investment

A rush of private investment funds toward Luxembourg over the past two years has effectively ended doubts that the grand duchy's attractions for bankers would cease after the collapse of the Eurodollar boom. The volume of private investment placed with the Luxembourg banks is running at twice the level of 1986, according to a senior banker. "The cash is coming from private investors — I would guess them as upper and middle-income," he says about US \$50,000, mostly German, British and French. "According to the banker they seek security for their money, also 'privacy and appreciation.'"

These are well-proven Luxembourg qualities. But how much longer can such traditional selling points be maintained? While there has never

been any suggestion that Luxembourg harbors tax-dodgers, the drive toward transparency in private financial transactions within the Community could blunt its appeal for those seeking full secrecy over their banking business.

Will new measures mar Luxembourg's charm?

The growth of banking in Luxembourg has been striking and comparatively recent. In June 1988 there were 132 foreign banks established in the country, compared to only 37 in 1970. Eleven of the top 20 were German, including the top three — Deutsche Bank, Dresdner Bank and Commerz-

bank. The breakdown by nationality shows where the growth has come from. In 1970 nearly half of the "foreign" banks were Luxembourg-Belgian combines. In June this year their number had scarcely changed, while the establishment of West German banks had soared from 3 in 1970 to 31. After the Germans, the Scandinavian banks were prominent with 16 concerns, lured like others by the ease of conducting Eurodollar business in the grand duchy.

Suggestions that such banks may consider leaving Luxembourg in the light of the EC banking regime are

challenged by the Luxembourg Bankers Association, which notes that the number of establishments and the level of assets has grown every year since 1970.

For a lot of the money flowing into Luxembourg is there in anticipation of the coming into force on October 1, 1989 of the Common Market's directive on Undertakings for Collective Investment in Transferable Securities (UCITS). This is part of the EC plan to establish a single Community market in finance by 1992 as a component of the internal market among the 12 member countries.

The UCITS directive, approved by member governments in December 1985, will permit any company to seek money from the public and invest it in any way it chooses, throughout the Community, on the basis of an authorization by its own government. There are some limits. The company will have to invest 90 percent of its funds in publicly quoted companies and may not take more than a 5 percent share in any concern. Other limits are set over its borrowing rights.

Luxembourg has been able to accommodate itself to these regulations to such an extent that major investment houses in London and Tokyo have begun to seek locations in the grand duchy. According to a London banker: "The taxation system is friendly, and the communications are superb." But there are two potential problems. Luxembourg is part of the EC and thus liable to its laws. There is a near certainty that by 1992 the EC will have approved common regulations on banking, including disclosure requirements, that could effectively remove Luxembourg's present advantages.

Whether the loss of some existing perks will affect the charms of Luxembourg to private investors is unclear.

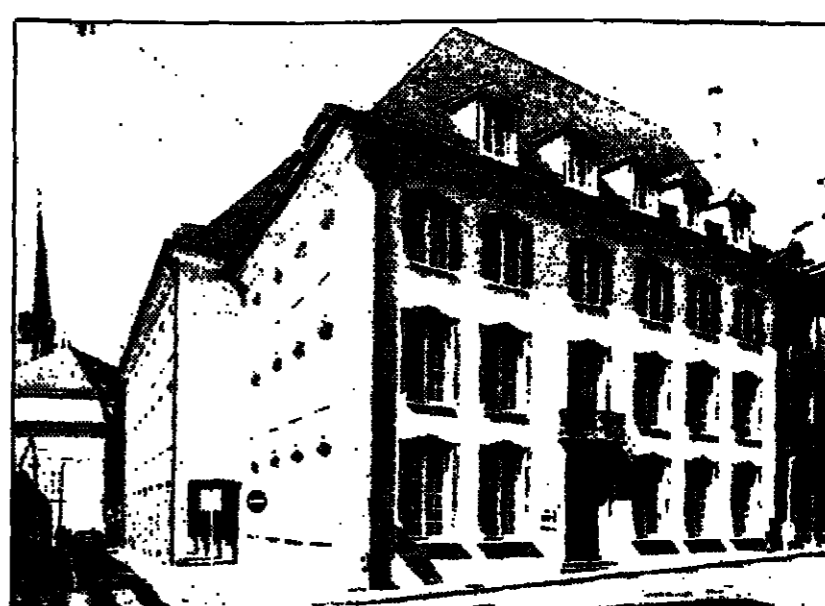
An American banker speculates that "While the tax concessions in Luxembourg are not way out of line, the discretion of the authorities is much prized." Much may depend on the skill of the country's marketing techniques and its portfolio management. There is a widely held impression of Luxembourg as a conservative financial center compared to London or Zurich. But its record over the past 12 months compares well with those of its competitors. "By and large the account managers took a long view a year ago and avoided overexposure in equities, with the result that the worldwide stock market crashes of last autumn have caused less embarrassment in Luxembourg than elsewhere," comments the banker.

The evidence so far is that the major banking clients of Luxembourg in the past — West Germany and Scandinavia — are strongly backing the new UCITS in the grand duchy. The tradition of collective investment, well-established in Britain through unit and investment trusts, is less familiar in other European countries. The UCITS directive gives Luxembourg a clear edge over non-Community countries in competition for savings, while its investment expertise puts it in contention with London. There is now even a move by some British firms to use Luxembourg as a base for UCITS operations. "The Luxembourg regulations are flexible, unlike those introduced in the new U.K. Financial Services Act, and offer several attractions to British firms. But I suspect that the main effect of the UCITS directive will be to divert money away from offshore centers like the Channel Islands and the Isle of Man," says an executive of a major London accounting firm.

Luxembourg has now virtually completed the changes in its own legislation needed to introduce UCITS, though it could still be held back by legal restrictions in other countries where collective investment is customarily handled by banks. The prospect of losing business to Luxembourg has inspired suggestions in some EC capitals that the grand duchy may lack the necessary resources to police the UCITS business

and that its flexible regime could permit abuses. "Certainly the operation of UCITS on a large scale will call for a major enlargement of Luxembourg's supervisory agencies," agrees a government official. "This has been planned for and will be in force once the business comes into effect."

There seems no reason to doubt this, since Luxembourg's major claim to primacy in money management has always been its unchallenged responsibility. "The regulations might be accommodating in comparison to others, but there has never been the slightest suggestion that they are not forcefully and fairly applied," says a British banker.



Alan Osborn Dresdner Bank in Luxembourg.

Interview / Pierre Berégovoy, French Minister for Finance and the Economy

The Need for a Common Monetary Policy

Continued from page 1

tion's proposals, but it is clear that we need to advance on both taxation fronts: harmonizing value-added taxes and taxation of savings. We also want to avoid capital flight. Today Luxembourg is a tax haven. Germany? No, Germany has moved in the direction of withholding the tax at the source. Today, we are the only country that requires a tax declaration in this regard by the individual or the bank. It is all very complex, but we do need to move forward.

What are the main obstacles to European integration?

There are technical difficulties, but the really big question for European governments is sovereignty and the delegation of power. And here I refer to the immediate question of abandoning sovereignty in the spheres of economy and of taxation. It is clear that member governments must take account of public opinion. Mrs. Thatcher, Chancellor Kohl, our government, we all do.

Is that blocking progress toward greater political unity?

Much of the reticence from certain countries stems from the fact that they do not want to delegate powers to the Commission, an executive organization. One day or another we will have to think about the institutions.

We have a parliament. What is its role? Sooner or later, the technical difficulties should lead us to accelerate political coordination.

In the monetary field? No, in the area of policy in general. Obviously, we are not yet at the stage of having a president or a common government.

Do you favor strengthening the powers of the EC Commission?

The problem, in the long term, is the establishment of a truly democratic government. Delors has revitalized the Commission. It is one of his great successes. But I wonder if it would not make more sense to think about reinforcing the powers of the Council. It is clear that the logic of building Europe is leading us to question the structures of decision-making.

What does the "social dimension" of an integrated Europe mean for you?

Reduction of inequalities of working conditions, and the development of a European union movement. What is needed are conversations — at the European level — between employers and unions. If workers are left out in the cold, something very important will be missing in the building of Europe.

What is your reaction to reports that many French financial institutions fear the coming of 1992 and are not ready to cope with the ensuing new competition? I think French banks hold

their own pretty well. Also, I have always said that competition in the banking sector must be allowed to operate freely, and that includes between state and private banks. In terms of financial innovation, we are in a highly advanced stage of development, even ahead of other European countries. Our financial system is well adapted to the building of Europe. I am delighted when I see a large French insurance company entering into agreements with a British or a German group.

Finally, what message would you give the next President of the United States?

Do not mistrust Europe. And realize that Europe can be an efficient partner and a faithful friend. And understand that it is in the interests of democracy that Europe and the United States get along. But it is equally important that the United States not look exclusively to the Pacific. If it does, Europe will find other partners. The interest of the United States is to look in both directions, east and west, at the same time.

Is the EC Commission justified in insisting on reciprocity with governments when non-EC member companies and banks seek to expand in Europe?

I am not very touchy about that issue. It is up to us to be the best. The American market is open as far as I can see but if under protectionist pressures the United States changes its

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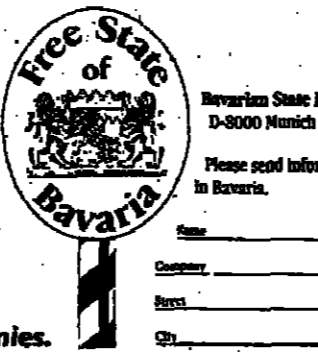
This church is just one reminder of the many cultural traditions that have made Bavaria world-famous. Less well-known is that Bavaria also has a long tradition for innovation, for example, in electronics-related industries. Consider this combination of facts:

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2. Germany accounts for more than 40% of electrical engineering in the EC, and one-fourth of all Germans active in electronics and electrotechnology work in Bavaria.
3. Bavaria is the semiconductor center of Germany and Continental Europe. Nearly all main semiconductor manufacturers have their European headquarters in the state.
4. An exceptionally high concentration of user industries of advanced technology is in Bavaria and at its doorstep. Heading the list are electrical and mechanical engineering, automakers, and aerospace industries.

5. Munich, the state capital, is the site of many trade exhibitions, including Electronics — Europe's leading exhibition for components and modules — and Productronica — Europe's largest fair for electronics production installation.

6. Bavaria employs more people in R&D in the industrial sector than in any other state. It is the home of the world-famous Max-Planck Institute and Fraunhofer-Gesellschaft as well as many research facilities for microelectronics and biotechnology.

Take a close look at Bavaria. You might be surprised to see how many church bells are operated electronically. And how many other attractive opportunities Bavaria has to offer.



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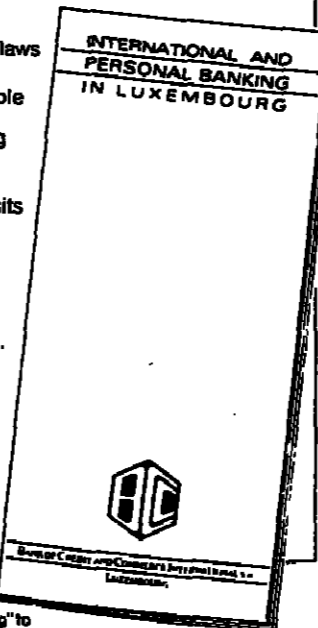
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1992

Switzerland and Austria / Outside Looking In

Rethinking National Rules In the Light of Directives

"We're not at all worried — we see it as a challenge," says Jean-Louis Delachaux, managing director of Credit Suisse bank's Geneva office. Delachaux's attitude toward 1992 is typical of most Swiss bankers, who believe their international expansion in recent years will help them weather the change to a single European market. They also cite their present close relationship to the EC as proof that it is possible to work with the Community and not belong to it.

Links are indeed strong: last year Switzerland looked to the EC for 72.5 percent of its imports, and 56.2 percent of its exports went to the Community. Austrian trade is heavily dependent on the EC: in the first six months of this year it climbed to 75

1992 provides an excuse to push for reform

percent of exports and nearly 80 percent of imports.

Nonetheless, the Swiss — like other Europeans outside the European Community — are not taking the possibility of a new financial environment lightly. Switzerland and Austria in particular have financial industries that play important roles in their economies; Swiss banks, for example, account for 7 percent of GNP, higher than that of any other sector. These countries are particularly anxious not to see their banks crippled by a role on the fringes of a stronger Community. Dr. Fritz Diwok, secretary general of the Austrian Bankers Association, emphasizes that it is now up to his government to take steps to enable industry and banks to cope with the new situation. The difficulty, he cautions, is knowing what steps. "Very much will depend on whether we see harmonization or mutual recognition. Even within the EC, they're not sure yet."

The Swiss government issued a report two weeks ago outlining its policy for dealing with the EC's integration efforts. The Federal Council reaffirmed that it will continue intense negotiations in such areas as finance to ensure that EC and Swiss law are mutually nondiscriminatory. "The fact

we're not members of the EC shouldn't mean we're relegated to Europe's B team," said Minister for the Economy René Felber.

Markus Lusser, president of the Swiss National Bank, welcomes the EC's efforts to create a unified market, and the directives that have been issued to date. The success of the Cooke Committee of the Bank for International Settlements in harmonizing capital adequacy for the Group of 10 countries bodes well, he believes. "The fact that the European Community was also represented at those negotiations indicates that the prospects of finding compatible solutions for banking and finance regulation are good."

There are, however, reasons for concern, says Mr. Lusser. "The Swiss National Bank does not see any fundamental reason to fear discrimination against Swiss banks by the European Community. But it is possible that the European Community will establish directives for financial markets that would make discussions about the adaptation of certain Swiss rules necessary. One example of this may be the regulations for admission to stock exchanges." The Swiss are currently struggling with a revision to their commercial code, which governs shareholders' rights. The battle pitches bankers against some powerful corporate groups; the latter would like to retain the current system, which has provoked criticism from abroad that the Swiss are raiding companies elsewhere while protecting their home turf against foreigners.

Austria is interested in getting closer to the EC, possibly even in joining the Community. The Swiss, however, continue to insist that their political neutrality is not compatible with EC membership. Yet both believe reciprocity is the key to coexistence with the EC. For Swiss and Austrian bankers this means virtually every national banking regulation must be reassessed in the light of new EC rules.

In some cases, such as Swiss rules on capital adequacy, current regulations are stricter than those the EC appears to be planning to adopt. Bankers fear this could make them less competitive and they are trying to



convince the authorities to make changes. Swiss bankers' main concern is that they may be at a disadvantage in the tax area; for years they have been trying to convince the government that a crippling stamp duty is chasing away stock market business. The EC's plans for 1992 provide a welcome deadline and excuse to renew the pressure.

Though the general mood is optimistic, problem areas remain. Switzerland's large banks are already well established abroad, particularly in EC countries, where their subsidiaries will be treated as native banks; their strategies will be to continue this expansion. Credit Suisse, for example, plans to open offices in Spain and Italy. Smaller banks, however, are less well

equipped to cope with stronger foreign competition.

Austrian banks also worry about their size. "Our banks should become bigger by international standards," says Herbert Kasper of the economics department at Girozentrale in Vienna, the second largest Austrian bank. "We've started buying. The merger mania that is going on now is geared toward a single Europe, so no matter what happens with our politicians in Brussels, banks have to look to 1992." The country's third largest commercial bank and largest savings bank three weeks ago announced a proposal to merge, a move that could trigger an industry shake-up.

The challenge, say bankers in both countries, will be to find the right balance. "We will be obliged to make some changes," says Credit Suisse's Delachaux. "But we can't just become a satellite of the EC. We must remain specialists, doing international banking with a Swiss touch."

Ellen Wallace

Opinion / Realizing Europe's Potential

New Opportunities Should Allow Equal Competition

The advent of 1992 presents great opportunities for U.S. financial institutions to assist their clients in raising funds and executing their corporate strategies in a larger, freer and more dynamic European market.

The overall impact of a single European market should be extremely positive for the European business and financial community, and thus for American commercial and investment banks operating in Europe. But some of the changes now being planned raise important concerns. Specifically, it appears that the directives on the banking and securities industries will link the treatment of foreign firms in the EC to treatment afforded European financial institutions in the home countries of those firms. While the

The major challenge for U.S. financial institutions

details of the directives have not yet been fully worked out, I have confidence that the Commission will recognize that although there are significant differences between European and American banking/securities regulations, the United States is a very open market for European financial institutions. It has offered them vast and growing opportunities for expanding their business — in some cases extending privileges that are not enjoyed by comparable U.S. institutions. Moreover, many American firms have been providing service of the highest quality to their European clients and have proved that they add genuine value for the companies they serve in Europe. Therefore there is good reason to expect that the EC will apply standards of reciprocity fairly and flexibly, and will not restrict the ability of American financial institutions in Europe to compete on the same basis as their European counterparts.

A number of issues will arise as the Commission formulates a policy for regulating and reviewing large cross-border mergers and acquisitions. Cross-border combinations, and those within national borders as well, will enable corporations to enlarge market share and realize greater economies of scale. They are a logical product of, and complement to, other aspects of the effort to create a unified market. A clearly defined EC merger and acquisition policy (superseding conflicting national regulations), an expeditious review procedure for approval or disapproval of proposed

mergers on an EC-wide basis, and a process for providing preliminary indication of whether a prospective merger is likely to be considered favorably would greatly reduce uncertainties, avoid costly delays and facilitate the planning of corporate acquisition and divestiture strategies, as well as defenses against hostile takeover attempts. Communication between the EC Commission, and European as well as non-European financial institutions in the EC, while the new rules are being written and when they come into effect, would provide Commission experts with "second opinions" that might be helpful to them in anticipating the practical consequences of alternative review procedures and approval criteria. It would also help these institutions and their clients anticipate the new rules and be sure that any mergers and acquisitions being contemplated will be consistent with them.

The period ahead offers major challenges to U.S. financial institutions to think creatively and strategically about how best to serve their clients' needs in the single European market and the rapidly integrating and changing world. While our headquarters are in the United States, we at Goldman Sachs see ourselves as very much a European, as well as an American, firm, not only because of the over 700 people which we have committed to the European market but also because of the extensive experience we have had in advising European clients on mergers, acquisitions, divestitures and raid defenses, raising funds for them in the key European and off-shore markets and executing major privatization assignments.

We believe our future success in Europe will be determined largely by our ability to provide a full range of financial, merger and trading services to our clients throughout Europe, understand European-wide developments in all major industries and sectors, and raise capital in all major European and world markets. The creation of a unified European market challenges us to be innovative, think strategically, and constantly expand and update our range of services. We see enormous potential opportunities for our clients throughout Europe in the period ahead, and hope to play a significant role in helping them to take advantage of the more dynamic European economy.

Robert D. Hormats
Vice Chairman
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OUR VIEW OF EUROPE AND 1992

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Briefs / Alliances, Projects and Directives

In the Air: High-Tech Plans

•Luxembourg's ambition to become a prime force in EC satellite broadcasting is expected to get a major boost with the planned launching of its Astra satellite by the Ariane spacecraft in early November. Owned by the Luxembourg Société Européenne des Satellites, Astra is equipped to transmit 16 channels of television across Europe. A Washington-based magazine, Europe, described it as "one of the boldest gambles ever undertaken in European broadcasting," but also noted that it faced two important obstacles: competition from the controversial TDF-1 satellite due to be launched at the end of October and the British BSB satellite. Both are regarded as more technologically advanced. Meantime, however, Rupert Murdoch, the Australian-born newspaper owner, has committed himself to using Astra for beaming to Britain. Other British broadcasters are considering Astra as well, Europe reported, amid widespread fears in London that users of Astra will draw viewers — and potential advertisers — away from the BBC and commercial stations.

•At the Farnborough Air Show earlier this month, General Bernard Capillon, chairman of France's state-owned SNECMA engine group, told reporters that his company was seeking a minority financial share in FN Moteurs SA, the Belgian aerospace manufacturer, as a first step in establishing a second, European fighter aircraft consortium built around the Rafale. "There is no reason that we cannot have two groups," he said. In another development at Farnborough, EFA executives said that Spain would not withdraw its support from the project, despite French-inspired reports that Madrid was considering joining France in building the Rafale.

•Crédit Lyonnais, one of France's largest state-owned banks, has established a joint venture company with GATX Air, a U.S. aircraft leasing firm, aimed at placing the bank in this fast-growing business. The fleet of 20 A-320 Airbus planes representing an investment of \$650 million, will be delivered between 1990 and 1994. "Our bank is now committed to providing financing needs of the aviation industry throughout the world," a Crédit Lyonnais executive said. The bank has led the management of 85 percent of the French portion of export credits for the Airbus consortium, which groups French, German, British and Spanish aerospace companies.

•The European Investment Bank plans to lend about 192 million ECUs, or 450 million guilders, to the Mega project, which is aimed at manufacturing advanced integrated circuits at a Philips plant in Nijmegen, the Netherlands. The Luxembourg-based bank is participating in the project as part of its commitment to improve the competitiveness of the European electronics industry in the world semiconductor market. Two years ago, the EIB lent Philips about half that amount for the Mega project (200 million guilders).

•Aerospace industries in the EC will soon be able to tap research funds from a new plan announced by the EC

stronger role in the company by AT&T. The company, which is currently seeking major expansion in Europe's telecommunications market, says its sales this year will rise to \$650 million from \$450 million last year.

•New air transport rules on competition have been adopted by the EC Commission that outline new, strict conditions for agreements between airlines. They relate to such agreements as coordination of capacity and schedules of revenue pooling, computer reservation systems and ground handling services at airports. The new rules, which are part of the Commission's growing efforts to deregulate the EC's air transport system in the early 1990s, are aimed at assuring greater competition between airlines for the benefit of travelers. New rules affecting coordination between airlines, for example, specify that airlines retain the largest possible freedom to act independently and that the agreements not weaken the position of airlines which are not signatories.

•France's Thomson SA, and STET, Italy's state-controlled electronics group, plan to join other EC manufacturers participating in Jesi, the EC-backed Joint European Silicon Initiative, known as "Europe's big-bang superchip project." The program, intended to help participants develop a global capacity in semiconductors, already includes Siemens of West Germany and the Dutch electronics group Philips. Pasquale Pistorio of Italy and president of the joint French-Italian venture, told newsmen that his group, created last year, was now the second-largest semiconductor firm in the EC, after Philips.

•Belgium has emerged as a key battleground for two competing European fighter aircraft projects: the European Fighter Aircraft, being built by a Munich-based consortium of British, German, Italian and Spanish aerospace companies, and Rafale, the controversial French fighter that has been sharply criticized for its high costs by the Rocard government. While weighing both projects, Belgium is also seeking to develop its own fledgling aerospace industry and faces considerable pressure from French industry lobbyists for whom an EC sale is crucial. France was an original member of the EFA consortium but withdrew when it became clear that the Dassault group, designer of the Rafale, would not obtain design leadership.

Commission. Until now, the commission has avoided funding aerospace, leaving spending in that sector up to national governments and the European Space Agency. Euromat, the new EC plan, will have an initial budget of 60 million European currency units and will aim to help participating companies in areas such as aerodynamic design, materials and computer system research.

•AT&T and Philips Telecommunications B.V., a joint U.S.-Dutch company based in Hilversum, Netherlands, will change its name to AT&T Network Systems International BV, reflecting a



ASIAN TOPICS

Sri Lanka's President Departs Contentedly

President Junius R. Jayawardene of Sri Lanka, who will retire after presidential elections expected in December, says he is confident of his legacy despite ethnic conflict between majority Sinhalese and minority Tamils in which thousands of people have been killed.

In an interview with Barbara Crossette of The New York Times, the president said he is particularly satisfied with the 1987 agreement with India, which has its own Tamil minority, under which an Indian peacekeeping force was deployed in Tamil regions. He said that with Tamil rebels attacking Indian troops, the Indians are learning at first hand about the rebels' intransigence. Nearly 600 Indian soldiers have lost their lives in Sri Lanka in the past year.

Mr. Jayawardene, 82, said he is confident that his 11 years of running the country, briefly as prime minister and then as president for the past decade, will not be judged as a period of constricted liberties.

"The press is free under us," he said. "The previous government nationalized the press." Today newspapers, except for a government-owned daily, are not censored, though broadcasting is a government monopoly.

Not that Mr. Jayawardene pretends to infallibility. When he agreed last year to merge Sri Lanka's Tamil-dominated provinces in the north and east, a concession aimed at helping to bring peace, he was asked why he had not done so years earlier, thus avoiding 6,000 deaths. He replied, "Lack of courage on my part, lack of intelligence on my part, lack of foresight on my part."

Short Takes

The first American ambassador to Mongolia, Richard L. Williams, has presented his credentials in Ulan Bator, the capital. Mr. Williams, who heads the State Department's Office of Chinese and Mongolian Affairs, said he will not take up residence immediately. He will continue to live in Washington and visit Mongolia about twice a year. Two U.S. diplomats who have been in Ulan Bator for the past six months, working out of an apartment house, also will leave for the winter, when temperatures can drop to 45 degrees below zero (minus 42 centigrade). But Mr. Williams said the embassy will be staffed year-round starting next spring.

China has imposed a tax on expensive official banquets to rein in the waste of public funds. The Workers' Daily said Prime Minister Li Peng had approved a tax of 15 to 20 percent on restaurant and hotel banquets costing more than 200 yuan (\$55) a person. Last year, the government ordered that menus at official banquets could include no more than four dishes and one soup. Many officials got around this by holding banquets, which were not covered by the edict.

In Taipei, 600 blind newspaper workers were blocked by police when they tried to force their way into Taiwan's legislature. They demanded that the government clean up the island's sex-ridden massage industry. Under a 1980 law, only blind people can work as masseurs and masseuses. But illegal parlors have mushroomed, many offering services by sighted hostesses that go far beyond traditional massage. The protesters said a government move to legalize the new parlors would imperil the livelihood of 10,000 blind massage workers.

East Meets West: For the eighth year in a row, the Oriental Hotel in Bangkok has been rated as the best hotel in the world in a survey of 100 bankers polled by Institutional Investor magazine, a financial monthly. Denmark's Tivoli Gardens, offering



MOIST MONKEY — A slum dweller in New Delhi carrying his pet monkey to safety. The worst flooding in 10 years has killed at least 282 and left thousands homeless in north India.

restaurants, theaters and carnival attractions, will be reproduced in the Japanese city of Osayama at a cost of 1.5 billion Danish kroner (\$207 million).

Longest Taxi Ride Arrives in Singapore

The longest and most expensive taxi ride in the world has arrived in Singapore via Europe, the Middle East, Pakistan, India and Southeast Asia, Michael Richardson of the International Herald Tribune reports. When the London cab drew up Tuesday in front of Raffles Hotel, its meter showed a fare of \$18,665 (\$31,330) for a 14,000-kilometer (8,700-mile) journey. And there's still another 5,000 kilometers to come. According to the Guinness

Book of Records, the longest previous taxi ride was 12,133 kilometers in 1981.

Barring mishaps, the Great Taxi Ride from London, organized to raise funds for an international children's charity, will finish on Oct. 27 in front of the Opera House in Sydney as part of Australia's bicentennial celebrations. The team of six drivers and mechanics will fly to Perth later this week with the cab for the long drive eastwards across Australia.

Money is being raised by corporate sponsors and collections in the countries the cab passes through. In Singapore, 7,000 taxi drivers persuaded passengers to donate nearly 293,000 Singapore dollars (\$144,000).

Arthur Higbee

In Singapore, a Cultural Tug-of-War

By Michael Richardson

International Herald Tribune
SINGAPORE — During the recent Festival of the Hungry Ghosts, Chinese Singaporeans burned joss sticks, incense and artificial paper money and made offerings of food: rites that are part of a common cultural heritage among Chinese in many parts of the world.

These ceremonies welcome and placate the spirits of the dead who, it is believed, return temporarily to share the comforts of home with their living relatives, and they suggest that customs brought to Singapore by migrants from China more than a century ago remain alive and well.

But leaders of the Chinese community here, government officials and Chinese intellectuals are worried that Singapore is in danger of losing its cultural bearings as Western ideas permeate more deeply this multiracial Asian society.

In one of several speeches on this theme last month, Prime Minister Lee Kuan Yew cautioned that the values transmitted by increasingly widespread use of English in education, business and daily life might turn Singapore into a "pseudo-Western society" that was neither part of Asia nor of the West.

And a survey published this week by the Singapore Federation of Chinese Clan Associations found that while most Chinese Singaporeans still adhere to their traditional religious beliefs, many younger Chinese, particularly those educated in schools where the language of instruction is English, are much less attached to custom.

"The picture that emerges," said Wee Cho Yaw, president of the federation and a leading banker, "is of a community that is slowly losing interest in its rich cultural heritage."

Officials of the governing People's Action Party, which has been in power since 1959, also worry about an erosion of traditional respect for authority and the readiness of Singaporeans to place collective obligations ahead of individual rights.

They argue that a foundation of social cohesion and discipline has enabled East Asian countries such as Japan, South Korea, Taiwan and Singapore to outpace other nations in economic growth and raising living standards.

Singapore's future, Mr. Lee asserted, would depend on whether its population — 76 percent Chinese, 15 percent Malay and the remainder Indians and people of other ethnic groups — could maintain their Asian core values.

"It's the software in the younger generation which will determine whether Singapore continues to thrive, to prosper, to be a dynamo, or whether it will plateau as in so many Western societies where they just lose steam," he added.

Diplomats said that the cultural tug-of-war between East and West in Singapore had intensified since Mr. Lee's government decided in the 1960s that the island-state had to promote English and plug into the world economy if it was to survive and prosper.

Partly because Singapore's main economic competitors — Hong Kong, South Korea and Taiwan — have not promoted English to the same extent, they do not face the danger of having their original cultures displaced, the diplomats said.

Tan Sai Siang, a columnist for The Straits Times newspaper, said

whether Singapore continues to thrive, to prosper, to be a dynamo, or whether it will plateau as in so many Western societies where they just lose steam," he added.

But, she said, it had made Chinese Singaporeans vulnerable to loss of identity.

The more "un-Asian" the Chinese majority became in their ways and thoughts, Miss Tan added, the more they were likely to encourage other ethnic groups to do the same.

While Mandarin, Malay and Tamil have equal status with English as official languages of Singapore, analysts said English was given priority by the government because it was the international language for trade, technology, science and information.

When Singapore gained self-government from Britain in 1959, Hokkien and other Chinese language dialects were predominant. Today, official figures show that more than 90 percent of students are in schools where English is the language of instruction.

Lee Hsien Loong, the minister for Trade and Industry, said the choice of English as Singapore's working language was correct and irreversible.

But he added, "We need to find ways to preserve those traditional values which are relevant to our changed circumstances, and convey them to succeeding generations in terms which they will understand."

SOVIET: Meeting Is Called to Restructure the Party

(Continued from page 1)

Committee, of some of their power and much of administrative machinery they have used to wield it.

Georgi K. Kryuchkov, a deputy head of the Central Committee organizational department, said recently that as much as a third of the administrative apparatus of republic and regional party organizations faced elimination under the Gorbachev plan. He said that up to half of the Central Committee's 22 departments would be closed.

The Central Committee departments likely to be eliminated under the Gorbachev plan are those that supervise industry and agriculture. They include the Agricultural and Machine Building Department, the Agricultural and Food Industry Department, the Chemical Industry Department, the Heavy Industry and Power Engineering Department, the Light Industry and Consumer Goods Department, the Machine Building Department, the Trade and Domestic Services Department and the Transport and Communications Department.

The party apparatus in Moscow and around the country has supervised, and often duplicated, government agencies responsible for managing various aspects of the economy, education, science, the press, culture and other elements of society.

Nikita S. Khrushchev's effort to reorganize the party was one of the key reasons he was removed as the Soviet leader in 1964.

Opposition to Mr. Khrushchev, produced by a variety of factors, including his handling of foreign policy, intensified after he moved to divide the responsibility for su-

periving agriculture and industry at the regional party level.

The decision meant that party leaders accustomed to controlling all sectors of the economy in their area had to relinquish a major part of their portfolio.

Mr. Gorbachev said in July that he wanted to put his party reorganization plan into effect this fall. If there is strong resistance, he may have felt it wise to seek a renewed endorsement from the Central Committee, including approval of specific steps to carry out the cuts, before proceeding.

Close to a third of the 300-member Central Committee is composed of republican and regional party leaders.

If they have formed into a nucleus of opposition to Mr. Gorbachev, he could face a more serious challenge to his leadership.

Although Mr. Gorbachev has not always gained a ringing endorsement for his domestic programs from the Central Committee, as far as can be determined from the limited information made public about committee deliberations, there has been no sign of a rebellion in its ranks.

The general secretary of the committee, now Mr. Gorbachev, is appointed by the committee and can be removed by it, as Mr. Khrushchev was in 1964.

vice president had been involved in past high-level U.S.-Soviet meetings.

The Soviet official, asked Wednesday if he favored Mr. Bush in the election, said, "It's up to the American people to elect a president."

"I would like to get acquainted with the governor to have a talk," he added. "There are questions we should discuss."

Mr. Dukakis was meeting later with the West German foreign minister, Hans-Dietrich Genscher, and planned a Thursday morning meeting with President Er François Mitterrand of France.

Mr. Shevardnadze had planned to meet with Secretary of State George P. Shultz and the foreign ministers of China, Britain and France. The session, held annually during the special session of the UN General Assembly, had been scheduled for Friday.

Mr. Shultz intended to take up with Mr. Shevardnadze U.S. complaints that Moscow and the Soviet-supported government in Afghanistan were conducting bombing raids on positions in Pakistan.

Mr. Shultz condemned the cross-border raids on Tuesday as a violation of Pakistani territory. They are designed to interrupt the flow of U.S. weapons through Pakistan to guerrillas in Afghanistan.

Mushrooms Kill 4 Yugoslavs

BEUGRADE — Four Yugoslavs have died and about 100 have been hospitalized after eating mushrooms in the republic of Croatia, the Tanjug news agency said Wednesday.

LIBYA: In Libya's Very Discreet Kabir Hotel, Revolution Is the Inn Thing

(Continued from Page 1)

identical suites on different floors, one right under the other.

In the past several years, Chadian rebels have taken up residence at El Kabir, along with American Indian and Black Muslim groups, Communist guerrillas from the Philippines and South America and Kurdish rebels from Iraq. There are usually also a number of hard-to-classify visitors, like the West German ice hockey coach who came last year seeking financing for his team, and Arthur Blessitt, an American preacher with a large wooden cross on wheels who stopped by in March on his way around the world.

Most of these guests come to seek money, arms or employment, or perhaps simply to join in a collective and all-expenses-paid denunciation of imperialist evil, usually symbolized by the United States.

Early this month, an "anti-imperialist court" composed of leftists from Central and South America set up shop in the Kabir to try President Ronald Reagan on charges of state terrorism in bombing Libya.

For three days, the 14-member mock court listened to witnesses, including Colonel Gadhafi's 15-year-old son, Saadi. Although the prosecution kept referring to Mr. Reagan as "Roland," they did offer the president the right to defend himself or send a lawyer.

Dutifully, they trooped over to the Belgian Embassy, which represents U.S. interests, to inform him of his options, but found it closed for the day. After knocking fruitlessly for 10 minutes or so, they left the message in the mailbox.

Twenty-four hours later, lacking a U.S. response, the court appointed its own defense attorney, a Costa Rican who got up and cheerfully conceded he had nothing to offer on the president's behalf. Case closed.

CHINA: Mental Health

(Continued from Page 1)

level of performance from their child that they create a debilitating fear of failure.

Mr. Yang said that one of his patients, a 19-year-old youth, fears nearly everything — from taking examinations to falling when he rides his bicycle.

"His parents want him to do everything perfectly," the psychologist said. "They are constantly warning him to take care. As a result, whenever he does something, he fears failing."

closed. Mr. Reagan was "convicted" and assessed \$40 billion in damages for the bombing.

"It's all a bit of a farce and a lot of propaganda, I'm afraid," said a leftist lawyer who found himself sitting on the court stage alongside Mrs. Perón.

Also observing the proceedings were about three dozen Latin Americans in Gadhafi T-shirts, delegates to an anti-imperialist conference and participants in a Mediterranean peace conference.

"It's really staggering to think of how much money and effort a

country of just 3.5 million spends to spread its influence to every corner of the globe," said a diplomat with long experience in Libya. "It's grandiose. It can verge on the ridiculous. But it's a cardinal tenet of Gadhafi's foreign policy and one he holds very dear."

Few can say with certainty how much money Libya spends each year to support such causes, whether it is aiding rebel movements or spreading revolutionary manifesto in Colonel Gadhafi's Green Book. But sources in Tripoli say the annual amount runs into the tens of millions of dollars.

who included sympathetic scholars from Western Europe.

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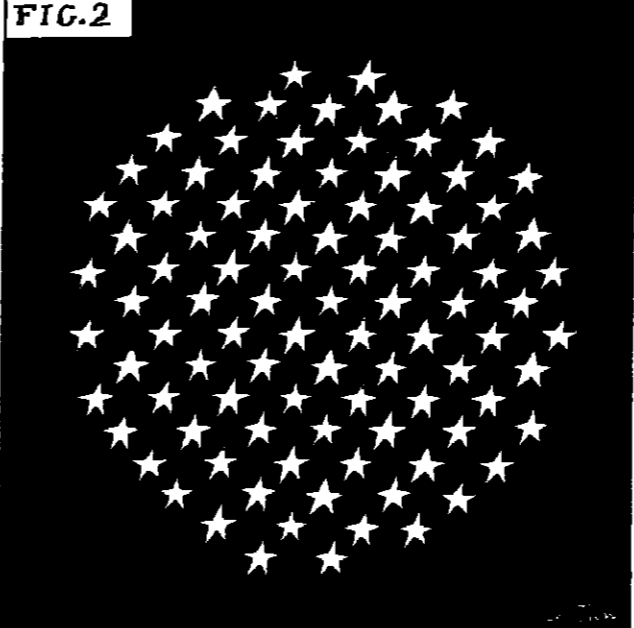
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THE FINE ART OF FLYING

AIR FRANCE

SCIENCE

A Step in Saving Sight

By Gina Kolata
New York Times Service

NEW YORK — In a major advance, two groups of U.S. scientists have successfully transplanted cells from the eye of a rat to the retina of another rat and cured a disease that would otherwise cause blindness.

The work, the first successful retinal cell transplant, is the first time that researchers have been able to cure a degenerative disease of the central nervous system. The researchers cautioned that the studies would have to be duplicated in monkeys and perhaps other animals before the procedure could be tested on people. But they said they were encouraged by the results and estimated that retinal transplants would be possible for people with degenerative eye diseases in 5 to 10 years.

"I'm sure it will eventually be done," said Joe G. Hollyfield, a research scientist at Baylor College of Medicine in Houston who specializes in diseases of the retina. Degenerative diseases of the retina are common, occurring in 400,000 living Americans, according to the Retinitis Pigmentosa

Foundation in Baltimore. One of these diseases, macular degeneration, is the leading cause of blindness in the United States in people over the age of 60. Doctors can sometimes slow the loss of vision in patients with degenerative retinal diseases, but they have no way of preventing it. Although many aspects of these diseases are mysterious, scientists suspect that the type of retinal cells transplanted in the recent experiments could save the vision of many patients.

"This is the first time that a degenerative neural disease has been stopped in its tracks," said Matthew LaVail, of the University of California in San Francisco, who studies degenerative diseases of the retina. The recent experiments, which will be published within a few months in the journal Experimental Eye Research, involve rats with an inherited defect in one type of retinal cell. The defect causes the death of both these cells and others that are nourished and supported by the defective cells. The cell death begins when the rats are about 28 days old. By the time they are 60 days old they are blind.

To cure this degenerative disease, Dr. James E. Turner and Dr. Linxi Li of Bowman Gray School of Medicine at Wake Forest University in Winston-Salem, North Carolina, and, independently, Dr. Peter Gouras and his colleagues at Columbia-Presbyterian Medical Center in New York, transplanted healthy pigmented epithelial cells into the animals' eyes by cutting slits in the back of their eyes and injecting tiny drops of fluid containing the healthy cells into the area where the pigmented cells normally grow. The cells survived and thrived and prevented the otherwise inevitable death of photoreceptor cells. Dr. Turner has operated on more than 200 rats, and, in every case, the transplanted cells survived and prevented photoreceptor cells from dying.

"Turner's work is just phenomenal," Mr. LaVail said. "What he described was so amazing that I went out and visited his lab just to make sure he was not a charlatan. I almost felt it was the high point of my career when I went out there and saw it, it was so phenomenal." Mr. LaVail added that he thought the transplanted cells not only survived but also divided and spread in the rats' eyes.

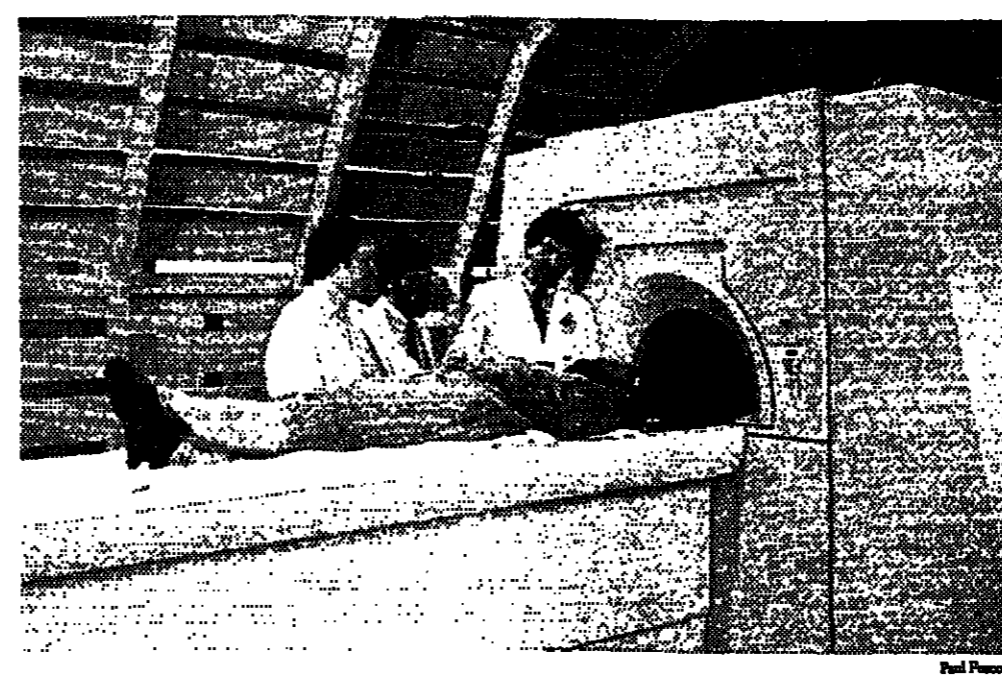
Dr. Turner said that the cells could have grown or they could simply have spread out, or both. "There is no answer yet," he said. Dr. Gouras said he and his colleagues hoped to try the retinal cell transplants on monkeys next, and Dr. Turner said he would try them on other species, including rabbits and monkeys, and would try implanting greater numbers of cells in rats.

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Magnetic resonance spectrometers are providing new ways of exploring body chemistry and fatigue.

New Techniques To Study Fatigue

By Sandra Blakeslee
New York Times Service

LOS ANGELES — The sense of fatigue felt after strenuous physical exercise may differ biochemically from the tiredness felt after a hard day at the office, researchers are finding.

Using a new device, which essentially turns the body into a kind of radio transmitter, scientists are helping to answer some questions about fatigue.

Recent experiments suggest that hard exercise produces specific chemical changes in muscles that are experienced as fatigue.

Similarly, eight hours behind a desk, involving mental concentration and little exertion, produces a

sense of fatigue, but the chemical changes in the nervous system and muscles are different.

Fatigue is defined as a decrease in force that a muscle can exert as it tires.

The new device for measuring fatigue is called a magnetic resonance spectrometer. The spectrometer can trace the action of individual molecules within the body and take moving pictures of one compound at a time.

"For the first time we have the tools to tease out the complexities of fatigue and then perhaps even design treatments or diets to combat it," said Dr. Robert Miller, chief of clinical neurology at Children's Hospital of San Francisco.

Previous information about muscle fatigue came from experiments in which muscle tissue was stimulated or exercised, removed from the body, quick frozen and later studied under a microscope.

Few people signed up for such experiments more than once, Dr. Miller said, because the procedure was extremely painful.

Such experiments demonstrated that chemical changes occur in fatigued muscles, Dr. Miller said, but they did not reveal exactly how the changes came about.

The spectrometer, on the other hand, reveals a broad spectrum of chemical changes in muscles instantly and without requiring the cutting or suctioning of tissue.

The technique is based on the novel response of living tissue when placed in the path of a magnetic field and radio waves. A person is put inside a doughnut-shaped magnet and radio waves are beamed in.

The magnet aligns the nuclei in the atoms of the body, and the waves excite the nuclei. Because each chemical compound has its own frequency, just like each radio station has its own broadcast frequency, researchers can "tune" the spectrometer for one compound at a time.

There are two main theories of fatigue. One holds that all fatigue lies in the muscle itself; that somehow fatigue is tied to a disturbance in energy metabolism that is induced by exercise.

The second theory, focusing on the fact that all muscle action is initiated by electrical signals from the brain, holds that the sense of fatigue rests in the nervous system. Changes in activation, as the nerve to muscle signals are called, would explain all fatigue.

"We suspect both are at work," Dr. Miller said.

Tracking Down the Seal-Killing Virus

By Joe Kirwin
Special to the Herald Tribune

STOCKHOLM — Four months ago Anders Bergmann, a Swedish pathologist and one of the world's foremost seal experts, was performing autopsies on carcasses of some of the more than 15,000 seals that have died in the North Sea from what was then a mysterious virus. He noticed the characteristics of an agent, encountered in previous veterinary work, that attacks the immune system.

Mr. Bergmann found that the animals' lymph glands were devoid of lymphocytes and that their spleens were damaged. This reminded him of autopsies he had done on animals that had died of a canine distemper virus that all domestic dogs are vaccinated against.

Early in the summer, Mr. Bergmann, of the University of Agriculture in Uppsala, Sweden, passed on those observations to virologists in Sweden and the Netherlands who were trying to isolate the lethal virus killing the seals.

Four months after his suggestions, and after three and a half months investigating a herpes and picorna virus, Dr. Albert Osterhaus in the Netherlands and Dr. Bert Klingeborn in Sweden, who cooperated in the research, announced the culprit: a canine distemper virus.

"If we had thought about what Anders Bergmann had told us — that the pathological picture looks like canine distemper," said Dr. Klingeborn, who works at the National Veterinary Institute in Uppsala. "We would certainly have found it a lot earlier."

The reasons Dr. Osterhaus and Dr. Klingeborn and their colleagues failed to find canine distemper virus earlier exemplify the complexities of virology research. In this case, the job was further complicated because little of this type work had been done with seals.

As with any viral isolation work, the researchers followed the postulates developed by Dr. Robert Koch, the German Nobel laureate and pioneer of virus work. These involve isolation, certification of widespread virus presence and, as final proof, reintroduction.

Dr. Osterhaus, at the Netherlands National Institute for Public Health and Environment, had developed a herpes vaccine several years ago and his immediate tests with dead seal serum and organ tissue were positive for both a herpes and a picorna virus. But the herpes virus was ruled out because seals given the vaccine were not protected, and researchers focused on the picorna virus.

To verify a picorna virus as the infecting agent, Dr. Osterhaus tested gray seals, a species closely related to the harbor seal also suffering from symptoms of the virus, for picorna antibodies. The picorna virus theory became suspect when the gray seals tested negative. It was abandoned when the Dutch virologist developed a picorna virus that, like the herpes vaccine, provided no protection.

At that stage, in early August, the researchers started to look for a canine distemper virus. "The reason we didn't find the canine distemper virus earlier is that you have to look for it to find it," said Dr. Osterhaus.

The search for canine distemper antibodies involved two steps. First, the Elisa technique, also a test for measles, was applied; then a neutralization test, designed to indicate the highly specific antibody structure triggered by canine distemper. When that diagnostic work with blood proved positive, Dr. Osterhaus told Dr. Klingeborn and both began trying to isolate it in cell structures.

To do that, a special immunofluorescence microscope was required. "The canine distemper virus is too small so you can't see it under a normal microscope but you can trace the antigen of the virus substructures, which are being produced in cells," Dr. Osterhaus said. "You can trace them by using antibodies which you have coupled to a fluorescent label."

Within several days both virologists had isolated the canine distemper virus. Corroboration

came from researchers in Britain, Denmark and Germany. Those confirmations fulfilled the second of Koch's postulates, widespread proof of the presence of the virus. The third Koch postulate, reintroduction of the virus as final verification, is yet to be completed.

"This is a very emotional question and that is a problem," said Dr. Osterhaus. "There is a possibility that we could use dogs for that third step. But I don't think it is needed to prove this is the cause of the deaths."

"But we are trying to develop a vaccine right now and to show protection with that vaccine we might have to do some challenge [reintroduction] experiments. But we are doing them under controlled conditions so the animals won't die. The purpose of that experiment, though, is not to reinfect but to prove protection from a vaccine."

Most scientists agree that applications of a vaccine are limited, as it would be impossible to vaccinate animals in the wild. There was hope of trying to use a vaccine in England and Ireland, where seals are dying in large numbers. But at a meeting last week in Amsterdam, biologists agreed that it would be disruptive for females giving birth.

How the canine distemper virus reached the seals is another major question. "We know that milk-like animals along the coast of Denmark have had this virus and they may have been in contact with the seals," Dr. Osterhaus said.

"We know the virus can change when it is passed from one animal to another so by showing certain markers on the virus we can hopefully trace it back," Dr. Klingeborn said.

Work is also under way to determine if pollution in the North Sea had any secondary effect. "This is definitely an infectious disease," said Dr. Osterhaus. "But pollution could have played a role because it could have lowered the seals' immunity. The seals won't be wiped out because they will build up immunity, but I can't say the same thing about the toxins we are dumping into the water."

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NYSE Most Actives									
Vol.	High	Low	Last	Chg.					
IBM	497.0	114.0	112	-1 1/2					
SCOR	21.0	3.75	3.75	+1/4					
GenTech	17.0	2.75	2.75	+1/4					
UCAR	17.0	2.75	2.75	+1/4					
Procter	17.0	2.75	2.75	+1/4					
Kroger	17.0	2.75	2.75	+1/4					
Trinity	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					
Worship	17.0	2.75	2.75	+1/4					

Market Sales			
NYSE 4 a.m. volume	NYSE p.m. volume	NYSE p.m. volume	NYSE p.m. volume
113,700,000	113,700,000	113,700,000	113,700,000
113,700,000	113,700,000	113,700,000	113,700,000
113,700,000	113,700,000	113,700,000	113,700,000
113,700,000	113,700,000	113,700,000	113,700,000
113,700,000	113,700,000	113,700,000	113,700,000
113,700,000	113,700,000	113,700,000	113,700,000
113,700,000	113,700,000	113,700,000	113,700,000
113,700,000	113,700,000	113,700,000	113,700,000
113,700,000	113,700,000	113,700,000	113,700,000
113,700,000	113,700,000	113,700,000	113,700,000

NYSE Index			
High	Low	Last	Chg.
113,700	113,700	113,700	113,700
113,700	113,700	113,700	113,700
113,700	113,700	113,700	113,700
113,700	113,700	113,700	113,700
113,700	113,700	113,700	113,700
113,700	113,700	113,700	113,700
113,700	113,700	113,700	113,700
113,700	113,700	113,700	113,700
113,700	113,700	113,700	113,700
113,700	113,700	113,700	113,700

Wednesdays
NYSE
Closing

Via The Associated Press

AMEX Diary			
Class	Prev.	Chg.	Close
Advanced	22.0	0.0	22.0
Declined	1.0	0.0	1.0
Unchanged	1.0	0.0	1.0
New Issues	1.0	0.0	1.0

NASDAQ Index			
Class	Chg.	Prev.	Close
Composite	0.0	100.0	100.0
Industrial	0.0	100.0	100.0
Finance	0.0	100.0	100.0
Insurance	0.0	100.0	100.0
Utilities	0.0	100.0	100.0
Transport	0.0	100.0	100.0

AMEX Most Actives			
Vol.	High	Low	Last
1000	100.0	100.0	100.0
1000	100.0	100.0	100.0
1000	100.0	100.0	100.0
1000	100.0	100.0	100.0
1000	100.0	100.0	100.0
1000	100.0	100.0	100.0
1000	100.0	100.0	100.0
1000	100.0	100.0	100.0
1000	100.0	100.0	100.0
1000	100.0	100.0	100.0

Dow Jones Bond Averages			
Class	Chg.	Prev.	Close
Bonds	0.0	100.0	100.0
Utilities	0.0	100.0	100.0
Industrials	0.0	100.0	100.0

NYSE Diary			
Class	Prev.	Chg.	Close
Advanced	22.0	0.0	22.0
Declined	1.0	0.0	1.0
Unchanged	1.0	0.0	1.0
New Issues	1.0	0.0	1.0

Odd-Lot Trading in N.Y.			
Buy	Sales	% of	% of
Sept. 27	301,397	44.13%	1.68%
Sept. 28	170,411	24.32%	1.37%
Sept. 29	311,144	44.55%	2.05%
Sept. 28	170,411	24.32%	1.37%
Sept. 29	311,144	44.55%	2.05%

Dow Jones Averages				
Open	High	Low	Last	
Index	2075.39	2096.37	2085.53	+ 3.20
Trans	88.64	89.78	89.41	+ 0.10
UTI	72.24	72.90	72.93	+ 0.05
Comp	72.24	72.90	72.93	+ 0.05

Standard & Poor's Index			
High	Low	Class	Chg.
385.5	385.5	385.5	+ 1.01
385.5	385.5	385.5	+ 1.01
385.5	385.5	385.5	+ 1.01
385.5	385.5	385.5	+ 1.01
385.5	385.5	385.5	+ 1.01

NASDAQ Diary			
Class	Prev.	Chg.	Close
Advanced	22.0	0.0	22.0
Declined	1.0	0.0	1.0
Unchanged	1.0	0.0	1.0
New Issues	1.0	0.0	1.0

AMEX Stock Index			
High	Low	Class	Chg.
100.0	100.0	100.0	+ 0.02
100.0	100.0	100.0	+ 0.02
100.0	100.0	100.0	+ 0.02
100.0	100.0	100.0	+ 0.02
100.0	100.0	100.0	+ 0.02

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

12 Month High Low Stock Div. Yld. PE 50 High Low Close Div. Yield

12 Month	High	Low	Stock	Div.	Yld.	PE	50 High	Low	Close	Div.	Yield
12/82	114	18	AAR	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	ACN	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	ACWCN	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	AD	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	ADT	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	ADT	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	ADT	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	ADT	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	ADT	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	ADT	0.24	2.1	18	114	18	22.0	0.0	0.0

NYSE Higher in Light Trading

NEW YORK — A spurt of buying in the final minutes Wednesday enabled prices to edge higher in a quiet, trendless session on the New York Stock Exchange.

The Dow Jones industrial average, which had slipped 2.84 points on Tuesday, rose 3.20 to close at 2085.53.

Advances led declines by about a 7-6 ratio, while volume edged up to 113.72 million shares from 113.01 million traded Tuesday.

"This is the dullist of markets," said Hildegard Zagorski, a market analyst with Prudential-Bache Securities Inc.

"The trading remains in a narrow range with nothing significant taking place," Ms. Zagorski said. "People just seem to be apathetic or unwilling to do anything ahead of the next set of economic numbers."

She noted that the most important report — September unemployment — was not due out until Friday, Oct. 7, and that the lethargic pace of the market was not likely to change until at least then.

Broader market indexes also posted small gains. The New York Stock Exchange composite index rose 0.39 to 152.03. Standard & Poor's 500-stock index rose 0.82 to 269.08. The price of an average share added 8 cents.

"Nobody wants to do anything other than those involved in special situations," she said.

"Some people feel that investors might just get fed up and sell the market back down to 2,000. But I really don't see much downside risk right now. The fact is, the market just doesn't want to go anywhere."

IBM was the most active New York Stock Exchange issue, gaining $\frac{3}{4}$ to 113.

Southern California Edison followed, up $\frac{1}{4}$ to 33 $\frac{1}{2}$.

Genentech was third, down $\frac{1}{4}$ to 17 $\frac{1}{2}$.

AT&T was off $\frac{1}{4}$ to 25 $\frac{1}{2}$.

Among other blue chips, General Electric was up $\frac{1}{4}$ to 43 $\frac{1}{2}$, Eastman Kodak was up $\frac{1}{4}$ to 44 $\frac{1}{2}$, USX was up $\frac{1}{4}$ to 28 $\frac{1}{2}$ and Merck was up $\frac{1}{4}$ to 57 $\frac{1}{2}$.

In the technology sector, Digital Equipment was up $\frac{1}{4}$ to 95 $\frac{1}{2}$, Cray Research was down $\frac{1}{4}$ to 69 $\frac{1}{2}$ and Hewlett-Packard was off $\frac{1}{4}$ to 49.

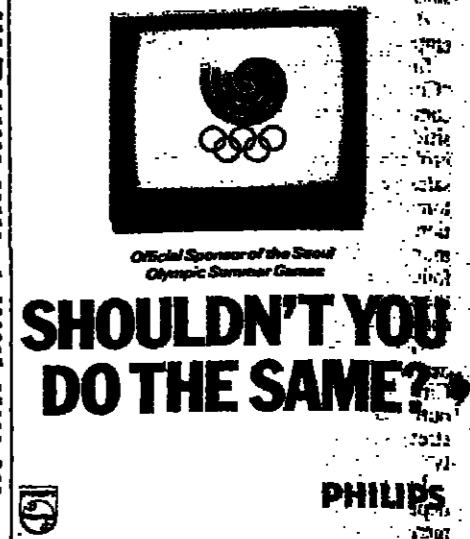
Prices closed slightly higher in slow trading on the American Stock Exchange.

The American Stock Exchange index rose 0.47 to 298.87, and the price of an average share gained 2 cents. Advances edged declines by a small margin. Volume rose to 8.08 million shares from 7.25 million traded on Tuesday.

Loimar: Telephones led the Amex actives, down $\frac{1}{4}$ to 12 $\frac{1}{2}$.

The National Association of Securities Dealers' index of over-the-counter stocks rose 1.06 to close at 383.28.

SEOUL CHOSE PHILIPS TELEVISION

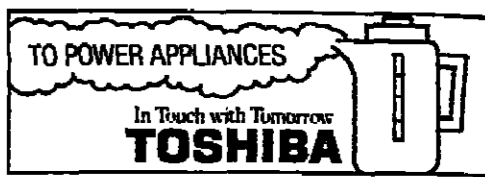
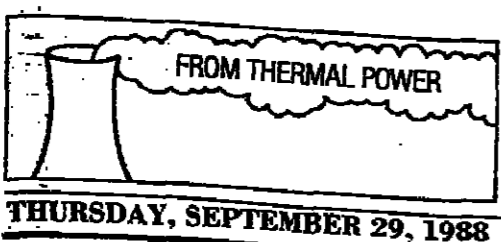


SHOULDN'T YOU DO THE SAME?

12 Month	High	Low	Stock	Div.	Yld.	PE	50 High	Low	Close	Div.	Yield
12/82	114	18	AMC	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	AMC	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	AMC	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	AMC	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	AMC	0.24	2.1	18	114	18	22.0	0.0	0.0

12 Month	High	Low	Stock	Div.	Yld.	PE	50 High	Low	Close	Div.	Yield
12/82	114	18	AMC	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	AMC	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	AMC	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	AMC	0.24	2.1	18	114	18	22.0	0.0	0.0
12/82	114	18	AMC	0.24	2.1	18	114	18	22.0	0.0	0.0

(Continued on next left-hand page)



THURSDAY, SEPTEMBER 29, 1988

INTERNATIONAL MANAGER

To Stem Insider Trading, Hire a Compliance Officer

By SHERRY BUCHANAN

LONDON — In an effort to deter insider trading, major commercial and investment banks are hiring in-house "compliance officers" to keep tabs on their brokers, traders and corporate finance staff.

Banks are increasing the staffs in their compliance departments, upgrading the status of the compliance officers in their staff positions with good career prospects.

The aim is to keep everybody in the firm's employ within the law.

Initially, international banking companies set up compliance departments to keep employees informed of the latest government regulations.

There is clearly an increase in the number of compliance officers, said Brooks Chamberlin, Korn Ferry International in New York.

In LONDON, the catalyst for creating compliance departments came from deregulation of financial services.

The compliance officer's job was created subsequent to the 1986 Financial Services Act and the Big Bang, said Joe Reilly of Badenoch & Clark.

Thus, recruiters of compliance officers look for lawyers who, in addition to having the right qualifications, are people-oriented.

Compliance officers also need senior rank in their firms' pecking order to make their decisions stick, recruitment specialists said.

Maxwell Protests KKR Bid

Macmillan Battle Gets Legal Twist

By Warren Getler

LONDON — Robert Maxwell, chairman of Maxwell Communication Corp., said Wednesday that he would seek a court order to block Kohlberg, Kravis, Roberts & Co.'s planned \$2.5 billion takeover of Macmillan Inc.

On Tuesday, Macmillan, the U.S. publishing concern, said it had agreed to be acquired by Kohlberg, Kravis, whose \$90.05-a-share offer had topped the \$89 bid by London-based Maxwell Communication in a fiercely contested auction.

In a telephone interview, Mr. Maxwell said: "We are certainly filing suit. We've been left with no alternative. This has been a travesty of a fair auction."

The British publisher said he was "shocked and dismayed" that the Macmillan board had jumped to accept a sweetened offer by Kohlberg, Kravis, a New York firm that specializes in leveraged buyouts, without providing him an opportunity to better it.

Macmillan's board had needed a higher offer, he said, they should have so indicated. "But they did not," he said.

His bid, at \$89 in cash, is the best bid at present, he added. The Kohlberg, Kravis offer, for up to 91 percent of Macmillan's 27.8 million outstanding shares, is a mixed cash-and-securities tender.

Referring to the takeover duel, Mr. Maxwell said he was "in it to win it."

Details of his plans about seeking an injunction in the Delaware court against the Kohlberg, Kravis offer were not immediately clear.

At the same time, a lawyer for Robert M. Bass Group Inc. of Fort Worth, Texas, said that the group may join Mr. Maxwell's planned

See MAXWELL, Page 11



The Audi V8, unveiled Tuesday, is expected to be one of the main attractions at the Paris Car Show. The car features a 250-horsepower engine, four valves per cylinder and permanent four-wheel drive.

Chrysler Makes a Dent in Europe

U.S. Company May Build Autos Abroad, Iacocca Says

By Jacques Neher

PARIS — Chrysler Corp. said Wednesday that its push to export to Europe has far exceeded expectations and that if the pace continues, the company could begin building cars in Europe in the next few years.

At events leading up to the Paris Car Show got underway, the chairman of Renault also had good news to report.

European production, he said, would most likely involve a venture with a continental autoemaker to produce Jeeps and Voyagers mini-vans.

Mr. Iacocca said Renault is one of the automakers with which Chrysler has been discussing local production.

Chrysler, which began selling four of its car models and Jeeps in Europe.

(\$938.3 million) in 1988. The announcement was viewed by analysts as a sign that Renault, which posted six years of losses until it turned a profit in 1987, is continuing its recovery.

At a press conference during the preliminary events before the auto show begins Thursday, Lee A. Iacocca, the chairman of Chrysler, said "there are a number of proposals under discussion that could develop within the next three or four years" with respect to making cars in Europe.

The system, to be brought into service in the early 1990s, would be introduced in Paris, with an initial capacity of 10,000 subscribers.

France is the second country, after Britain, to choose a mobile telephone system that meets pan-European criteria.

France has signed an agreement to develop a standardized mobile telephone system. There are currently a number of different systems in Europe.

In Paris, France Telecom said it had also chosen the telecommunications group Alcatel NV of the Netherlands to set up a separate network for the planned digital car-telephone system.

Along with the units of Ericsson and Matra, Alcatel CIT and Alcatel Radiotelephone will develop networks around Paris to be ready by the second half of 1991, the Post and Telecommunications Ministry said in a statement.

Alcatel is 54 percent owned by Compagnie Generale d'Electricite and 37 percent by TTT Corp.

Matra joined last May with Orbitel Mobile Communications Ltd. to develop a similar system in Britain.

The decision to sell control of the second-largest French telecommunications company to the Ericsson-Matra consortium came after the then-finance minister, Edouard Balladur, switched his support from Siemens AG of West Germany. A government official said at the time that Mr. Balladur felt the Ericsson proposal "better corresponded to France's technical and industrial requirements."

Ericsson, Matra to Supply French Mobile Phones

Stockholm — France Telecom, the French public telephone company, has chosen L.M. Ericsson AB of Sweden and Matra SA of France to supply a new mobile telephone system for France, the companies announced Wednesday.

They gave no indication of what the order was worth.

The system, to be brought into service in the early 1990s, would be introduced in Paris, with an initial capacity of 10,000 subscribers.

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Phone Supplier Rejects Offer Made by C&W

Compiled by Our Staff From Dispatches

LONDON — Cable & Wireless PLC, the British telecommunications giant, made a cash offer Wednesday for the 97.9 percent of shares in Telephone Rentals PLC that it does not already own, but the company rejected the bid as inadequate.

The bid valued Telephone Rentals at £283.8 million (\$477 million). C&W offered 305 pence a share cash for the company, which rents, sells, installs and maintains communications equipment in Britain.

C&W said it already owned 1.9 million shares in Telephone Rentals, representing 2.1 percent of issued share capital.

Telephone Rentals recommended that its shareholders take no action on the offer and particularly urged them not to sell their shares.

The company also said Wednesday that it bought the 85.75 percent of Carphone Group PLC it does not already own.

C&W is a global telecommunications company, and its subsidiary, Mercury Communications Ltd., is the only telephone system operator licensed to compete with British Telecommunications PLC.

C&W, which completed its takeover of Mercury Communications in 1984, was denationalized in 1985.

It said that Mercury and Telephone Rentals were a natural fit and would provide customers with a comprehensive telecommunications capability able to compete more broadly with British Telecommunications.

The company added that a merger would clear the way for an improved rate of installation of Mercury services and wider use of its network.

C&W said that if its bid were accepted, Telephone Rentals would remain under separate management. But it said that the company's South African interests would be sold.

In the year ending in December, Telephone Rentals had pretax profit of £19.6 million and sales of £106.3 million.

In the year that ended in March, C&W had pretax profit of £356.1 million and sales of £932.4 million. (AP, Reuters)

Currency Rates

Table with columns: Cross Rates, Currency, Par \$, etc. Includes data for American, British, French, etc.

Other Dollar Values

Table with columns: Currency, Par \$, etc. Includes data for Australian, Canadian, etc.

Interest Rates

Table with columns: Rate, etc. Includes data for Eurocurrency Deposits, etc.

Asian Dollar Deposits

Table with columns: Rate, etc. Includes data for 1 month, 3 months, etc.

U.S. Money Market Funds

Table with columns: Fund Name, etc. Includes data for Merrill Lynch, etc.

Reagan Vetoes Bill to Restrict Textile Imports

Washington Post Service

WASHINGTON — President Ronald Reagan vetoed on Wednesday a bill to restrict textile imports, which he called "protectionism at its worst."

Although the House of Representatives is expected to try to override the veto next week, White House and Capitol Hill vote counters said they expected the president to prevail.

The bill implementing the agreement with Canada "is a hallmark of free trade, in contrast to the damaging protectionist textile bill that I vetoed earlier," Mr. Reagan said.

The free-trade agreement with Canada is proposed to take effect Jan. 1, but under the law signed Wednesday by President Reagan, nothing will happen until the pact is approved by the Canadian Parliament.

"We do want to dramatize the signing of this bill to impress upon the Canadians once again how important we believe this is to increased trade between the two countries," said the chief White House spokesman, Marlin Fitzwater.

Air France Move Raises Questions

By Joseph Fitchett

PARIS — The dismissal of Jacques Friedmann as head of Air France raised questions Wednesday about how many more top managers in state-owned enterprises might eventually be replaced by France's ruling Socialists.

Bernard Attali, 44, former head of GAN, a large state-owned insurance company, was named to take over the state-owned airline. Most of his career has been spent as a senior civil servant, with brief experience in the private sector as an executive at the Club Med chain and a British insurance company.

Mr. Attali is the brother of Jacques Attali, widely considered to be the closest adviser to President Francois Mitterrand. French commentators said that after the appointment of a man with such conspicuous ties to the president's office, the Socialist government will find it politically harder to change more high-visibility management jobs soon.

While Friedmann, 56, a prominent conservative economic strategist, had been expected to be relieved of his duties at Air France, the choice of Mr. Attali surprised many businessmen and analysts, who had expected a manager with more experience in industry.

Conservative and center-right politicians accused the minority Socialist government of reneging on its pledges to curtail political interference in state-owned enterprises and public services.

But French and foreign businessmen reacted calmly to the appointment, saying that the Socialists apparently intended to confine their

changes to what one called "a limited exercise in musical chairs."

That source, who has worked with successive Paris administrations, said: "Of course, there is a purge list, but it's short, and some of the new appointees have good professional credentials," implying that the Socialists have found some other managers objectionable, but are uncertain if they can find politically expedient ways to oust them.

When the Socialists came to power in 1981, they nationalized many concerns and almost all state-owned industries, utilities, banks and media enterprises were turned over to new managers who conformed to their radical ideas.

The upheaval contributed to an economic crisis that helped conservatives win a parliamentary majority in 1985 and form a government led by the former prime minister Jacques Chirac.

Mr. Friedmann, a confidante of Mr. Chirac, was an architect of the conservative government's program to privatize state-owned enterprises.

When Mr. Mitterrand was re-elected in May, he and Prime Minister Michel Rocard pledged that there would be no rationalization of former state-owned enterprises. It was widely expected, however, that they would look for opportunities to oust the key conservatives involved in privatization. Among those already replaced are the heads of UAF, a large insurance company, and Credit Lyonnais, the large state-owned bank.

Advertisement for ELOF HANSSON THE GLOBETRADEP, featuring international trading house services and contact information.

Advertisement for ASAH OPTICAL CO., LTD. (CORUM), featuring watch services and contact information.

Advertisement for Falcon-900 with Europe's leading executive jet service company, including contact details.

Large advertisement for CORUM watches, featuring a watch image and text: 'Designs on time Individually made with a degree of skill and care that belongs to a former time. Corum Watches carry design into the future.'

Wednesday's NYSE Closing

Totals include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table with columns: High, Low, Stock, Div. Yld. PE, 52-Week High, Low, Open, Close, Chg.

Table with columns: High, Low, Stock, Div. Yld. PE, 52-Week High, Low, Open, Close, Chg.

Table with columns: High, Low, Stock, Div. Yld. PE, 52-Week High, Low, Open, Close, Chg.

Table with columns: High, Low, Stock, Div. Yld. PE, 52-Week High, Low, Open, Close, Chg.

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MGM/UA Announces Major Restructuring
LOS ANGELES—MGM/UA Communications Co. hit by a number of top-level resignations and questions about its future, has announced plans for a broad restructuring that may include a major financial infusion from Kirk Kerkerian, the motion picture and television studio's majority owner.

IBM Executive Takes Position With Texaco
NEW YORK—Texaco Inc. has reached outside its ranks and named Allan J. Krowe, a top executive at International Business Machines Corp., as its chief financial officer.

Deutsche Bank to Buy Into Bain
FRANKFURT—The Australian subsidiary of Deutsche Bank AG, West Germany's largest bank, will take a 50 percent stake in Bain & Co., a Sydney-based investment bank, Deutsche Bank said Wednesday.

S&P 100 Index Options
Company Per Annu. Div. Yield
US Dollar Denominated

London Commodities
SUGAR
COCOA
COFFEE

DM Futures Options
W. German Mark-DM marks, cents per mark

Company Results
Tesco
Pechiney
United States
Federal Paper Board
Holly Farms

The Global Newspaper
A large stylized graphic of a globe.

Dividends
Company Per Annu. Div. Yield

London Commodities
SUGAR
COCOA
COFFEE

Spot Commodities
Commodity
Contract

U.S. Treasuries
Treasury Bill
Treasury Note

Value of Nobels May Rise Sharply
STOCKHOLM—The monetary value of Nobel prizes over the next few years could rise sharply following profit increases by the Nobel Foundation from real estate and stock market transactions.

PERSONAL INVESTING
IN THE HEAT OF THE SECOND MONTH OF EACH MONTH, EDITED FOR THE SOPHISTICATED INVESTOR—AN ESSENTIAL GUIDE TO OPPORTUNITIES AND PITFALLS—WORLDWIDE

Reuters Reorganizes Into 3 Regions

LONDON — Reuters Holdings PLC said Wednesday that it was reorganizing the group into three geographic areas in a move designed to cut costs and improve efficiency. The three areas are Asia, the Americas, and a composite of Europe, the Middle East and Africa. The changes will begin Jan. 1. The present Reuters area comprising Africa, Latin America and the Caribbean, will cease to exist. Latin America and the Caribbean will join Reuters North America to form Reuters America. David Ure, managing director of Reuters Europe Ltd., will be managing director of Reuters Europe, Middle East and Africa Ltd. Andre Villeneuve, who is now president of Reuters North America Inc., will be president of Reuters America Inc. Peter Job will remain managing director of Reuters Asia Ltd., which now includes the Middle East. Peter Holland, managing director of Reuters Overseas Ltd., will become assistant general manager of Reuters Ltd. from Jan. 1. In this capacity, he will be responsible for international personnel services and corporate relations. He will report to Michael Nelson, deputy managing director and general manager. Reuters supplies a wide range of services to business subscribers and to the news media. It distributes information via more than 165,000 video terminals and teleprinters, and directly into clients' computers. The organization's pretax profit for the first half of 1988 rose 26.2 percent to £102.9 million (\$176 million), despite a sharp decline in revenue from sales of electronic trading systems after the stock market collapse in October.

Air Canada Public Offering Oversubscribed

TORONTO — Investor demand for overpriced shares in the Canadian government's public stock offering of a 45 percent stake in Air Canada, a spokesman for an underwriter of the issue said. "It was significantly oversubscribed," said the spokesman, who requested anonymity. The airline said late Tuesday that 30.77 million common shares of Air Canada were priced at \$8 Canadian dollars (\$6.50) each, for total proceeds of 246 million Canadian dollars. The issue will dilute the Canadian government's holding in the airline to 55 percent. The government has said it hoped small investors would buy up to 40 percent of the offering. The airline's 22,000 employees get first chance at buying the shares, followed by small investors from Canada. Chrysler sold its European automaking operation to Peugeot SA of France in 1978 when the No. 3 U.S. automaker was near bankruptcy. Chrysler's initial penetration in Europe has far exceeded the efforts of Ford Motor Co. and General Motors Corp., which are also exporting U.S.-made models to Europe. In the first eight months of 1988, Ford sold about 2,800 U.S.-made cars in Europe and GM sold about 5,900. Chrysler budgeted up to \$20 million for advertising in Europe this year. Mr. Iacocca projected that next year Chrysler would sell 45,000 to 50,000 cars and Jeeps in Europe. Chrysler now has 300 dealers in West Germany, Belgium, Austria, Switzerland and the Netherlands, plus about 250 Renault dealers franchised to sell Jeeps in France and Italy. It plans to add 70 dealers in France early next year through a distribution arrangement with Suno auto SA, the French distributor for Porsche AG. Discussions are under way to begin distribution later this year in Spain, Italy and Portugal. Mike Hammes, vice president international for Chrysler, said the company could sell 100,000 units, which represent about 1 percent of the Western European auto market, by 1992. He added that Chrysler's ability to reach that target "depends on demand in the United States for these models and production facilities in Europe." Mr. Iacocca described Chrysler buyers in Europe as young, affluent people with two cars in their garages who are "looking for something a little bit more unique. They're trading in some pretty classy European cars for these Le-Barons, Voyagers and Cherokes," he said. "I never thought I'd live to see that."

SHOW: Iacocca Is Optimistic About the Prospects for Chrysler in Europe

(Continued from first finance page) Meanwhile, plans by Nissan Motor Co. to sell a British-made car in continental Europe starting next week were clouded by French opposition, Reuters reported. Yutaka Kume, president of Nissan, said the company plans to sell 100,000 Bluebirds this year and 100,000 annually in the 1990s, but the destinations of the first cars to be shipped remain unclear because of French opposition to importing Japanese-labeled cars that are less than 80 percent-European made. "At the moment the British-built Bluebird has local content of 70 percent, but we don't know whether the French government will recognize this," Mr. Kume said. Separately, Renault was among several European auto makers to announce earnings projections during the auto show. The French car maker's expected 6 billion franc profit this year compares with a profit of 3.7 billion francs in 1987 after its string of operating losses. Analysts said that Renault's turnaround was due largely to deep cuts in production costs made in recent years, Reuters reported. They added that the company's profits would probably continue to grow despite the fact that Renault's share of the French market has slipped slightly since the beginning of the year. Mr. Levy added that Renault would probably reduce its debt by 6 billion francs, to 40 billion francs in 1988. In 1986, the level was 55 billion francs. Porsche, the West German sports car maker, said group sales in 1987-88 fell to 2.48 billion Deutsche marks (\$1.81 billion) from 3.40 billion DM, mainly because of a decline in U.S. business. The company said net profit for the year ended July 31 would be acceptable, but gave no figure. Profit in 1986-87 fell to 51.9 million DM from 75.3 million DM. The statement cited reduced car sales in the U.S. and the fall in the dollar for Porsche's poor performance. Group car sales in 1987-88 fell to 2.08 billion DM from a previous 2.99 billion DM, while other sales, such as spare parts, declined to 397 million DM from 416 million DM. Volkswagen AG, the West German carmaker, is expected to post net consolidated profit in 1988 that will be around 650 million DM in 1988, up from about 598 million DM in 1987, Carl Hahn, its chairman, said at the auto show, Reuters said.

Icahn Challenge Dismissed

WHITE PLAINS, N.Y. — A federal judge dismissed Carl C. Icahn's final challenge to Texaco Inc.'s reorganization plan, according to court papers. "Whatever the merits of these challenges, this appeal must be dismissed as moot," District Judge Gerard Costello said. A group led by Mr. Icahn, who holds 14.8 percent of Texaco, had challenged the Chapter 11 reorganization plan, under which Texaco paid \$3 billion to Pennzoil Co. to settle a legal dispute arising from Texaco's acquisition of Getty Oil Co. Texaco then emerged from bankruptcy proceedings. Despite Mr. Icahn's appeal, Texaco's plan had been approved.

MAXWELL: KKR Bid Protested

(Continued from first finance page) Macmillan withdrew its recommendation. Maxwell Communication initially submitted an \$80 bid, followed by \$84 a share in early September. A Macmillan spokesman said that both Kohlberg, Kravis and Maxwell Communication were invited to raise their bids before the close of the auction late Monday. But, only Kohlberg, Kravis submitted a higher offer. Robert Pine, president of Rothschild Inc., an investment firm advising Mr. Maxwell's group, told Reuters on Wednesday that a new bid was not submitted because Wasserstein, Perella & Co., Macmillan's adviser, would not tell the British group whether there had been a higher offer from Kohlberg, Kravis. Mr. Pine also indicated that a likely plank in Mr. Maxwell's case would be to challenge an option Macmillan gave Kohlberg, Kravis to buy four of Macmillan's divisions if its bid for the whole company failed. Macmillan withdrew its recommendation. Maxwell Communication initially submitted an \$80 bid, followed by \$84 a share in early September. A Macmillan spokesman said that both Kohlberg, Kravis and Maxwell Communication were invited to raise their bids before the close of the auction late Monday. But, only Kohlberg, Kravis submitted a higher offer. Robert Pine, president of Rothschild Inc., an investment firm advising Mr. Maxwell's group, told Reuters on Wednesday that a new bid was not submitted because Wasserstein, Perella & Co., Macmillan's adviser, would not tell the British group whether there had been a higher offer from Kohlberg, Kravis. Mr. Pine also indicated that a likely plank in Mr. Maxwell's case would be to challenge an option Macmillan gave Kohlberg, Kravis to buy four of Macmillan's divisions if its bid for the whole company failed.

INTERNATIONAL POSITIONS

SENIOR AUDIT MANAGER Middle East Negotiable Tax Free Salary + Extensive Benefits Touche Ross, Saba & Co is the largest nationally based professional audit practice in the Middle East and Mediterranean region. The firm employs professionals from Europe, North America, Asia and the Middle East and is seeking to appoint an experienced Senior Audit Manager for one of its most active and expanding offices. The successful candidate (ACA, ACCA or CPA) will have a proven record at manager level, preferably with a major international firm in Europe or North America and be fully conversant with US and/or UK audit standards. Main responsibilities will include planning, control and technical review of corporate audits in the construction, manufacturing, trading and financial sectors. Business development attributes and knowledge of EDP audit would be advantageous. In addition to an excellent salary and potential bonuses, a comprehensive benefits package is offered to include family accommodation, transportation, paid home leave, training courses etc. We also invite applications from qualified AUDIT SENIORS and SUPERVISORS seeking career advancements in which advancement and earning potential are excellent. Please telephone or write with career details to: MICHAEL NAGLE, FCA or W. MARTIN DYAS, SABA & NAGLE INTERNATIONAL, 135 Notting Hill Gate, London W11 3LB. Telephone: 01-727 9278.

SALES MANAGER EUROPE-USA Our company FRANCE CABLES ET RADIO deals with consulting, engineering of network and telecommunication systems, telematics and office computers. Our International Department provides professional telecommunication services to all companies and is looking for a SALES MANAGER EUROPE - USA to participate in our development with a clientele composed of large national or international firms. He/she will be required to understand and analyze their communication needs. He/she will give answers adapted to the needs of each of his customers allowing them a rapid exchange of all types of information - voice, data, text, images. For this position based in Paris, we wish to meet professionals having graduated from renowned schools such as ENST, SUPELEC, HEC, having 3 to 7 years of experience negotiating at a high level in the field of telecommunications or computer science. A rigorous sense of analysis and organization and a knack for human relations and profitability are that many qualifications required for this mission. Very frequent short-term trips to be expected. A second language would be appreciated. Please send your application letter + CV + photo + state salary required to: PAUL-EMILE TAILLANDIER CONSEIL, 10 rue du Colisee, 75008 Paris - FRANCE under the reference 453 H.

AUSTRALIA WE KNOW THE MARKETPLACE For information... Neville Willis, Foreign Trade Desk Australia 45 Grenfell Street ADELAIDE SOUTH AUSTRALIA 5000 Deloitte Haskins & Sells Phone: +618 212 6193; Fax: +618 212 7434 Telex: A488851

Asia Pacific Growth Fund The Quarterly Report as of 30th June 1988 has been published and may be obtained from: Pierson, Holding & Pierson NV, Herengracht 214, 1016 BS Amsterdam. Tel. + 31 - 20 - 211188

DP America Growth Fund The Quarterly Report as of 30th June 1988 has been published and may be obtained from: Pierson, Holding & Pierson NV, Herengracht 214, 1016 BS Amsterdam. Tel. + 31 - 20 - 211188

Europe Growth Fund The Quarterly Report as of 30th June 1988 has been published and may be obtained from: Pierson, Holding & Pierson NV, Herengracht 214, 1016 BS Amsterdam. Tel. + 31 - 20 - 211188

SABA AND NAGLE INTERNATIONAL

HEAD OF AMNESTY INTERNATIONAL'S CAMPAIGN AND MEMBERSHIP DEPARTMENT Amnesty International (AI) needs someone for this key management position to be responsible for the overall strategy to develop AI's membership worldwide, particularly outside Western Europe and North America, and for organizing international campaigns against human rights violations around the world. Candidates must have experience of policy development, experience of working in a membership or campaigning organization and a good knowledge of human rights. S/he must have sound political judgment and the ability to represent AI. S/he must have experience of managing a small organization or a unit/department, and the ability to deal with all staff, administrative and budgetary aspects of the job. S/he must have excellent English, and a good working knowledge of one other official language of AI (Arabic, French or Spanish) is highly desirable. S/he must be able to communicate well both orally and in writing, and must be able to work in an international and multicultural environment. S/he will be expected to travel and to work weekends. SALARY: Starts at £18,858 per annum (effective from April 1989). CLOSING DATE FOR RECEIPT OF COMPLETED APPLICATION FORMS 18 NOVEMBER 1988. INTERVIEWS SCHEDULED FOR MID DECEMBER OR EARLY JANUARY. For further information and an application form, please contact: Personnel Office Amnesty International International Secretariat 1 Euston St. London WC1X 8DJ United Kingdom Tel.: (01) 833 3805 - (24 hr. answering machine).

CONSTRUCTION DIRECTOR OF HUMAN RESOURCES/ADMINISTRATION We are one of the major international construction management companies operating in Europe, Middle and Far East and the U.S.A. We are seeking a Senior Executive to be based in London to oversee all aspects of the Human Resources function including Administration. The role combines a high degree of professionalism with a progressive and commercial attitude towards business affairs. The successful candidate will have gained extensive experience in senior management recruitment and be capable of implementing policies related to personnel taxation in an international environment. International experience is, therefore, a pre-requisite. Excellent verbal skills and written communication skills are required. Important personal characteristics will include a determination and drive to succeed plus imagination. This position will be reporting directly to the Managing Director and will interface with the senior management of an international professional team. An excellent package including car, pension and private health care will be offered to the successful candidate. Letters of interest including a full C.V. should be sent to: Box 035666, I.H.T., 63 Long Acre, London WC2 9JH.

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TWO-DAY CONFERENCE ON: DOING BUSINESS BETWEEN THE EUROPEAN COMMUNITY & THE COMECON COUNTRIES at the HILTON hotel: BUDAPEST November 10 & 11 1988 Information and registration at: SEMINAR SERVICES SA, Blvd de Perelles 7a, CH-1700 FRIBOURG, SWITZERLAND. Tel: (0041 37) 22.43.23. Telex: 942658 SEMI CH

legrand First half results up 30% Further expansion in the U.S.A. Consolidated figures on June 30, 1988 were as follows: (in FF million)

	First half 1988	First half 1987	%
Net Sales	2,855	2,495	+14
Net pre-tax income	500	397	+26
Net income (Group share)	299	229	+30
% of sales	10.5%	9.2%	
Funds provided from operations	461	375	+23
Change (cash flow)	16%	15%	

After accounting for structural changes, Group sales growth works out to 10%. Also, following the takeover of SLATER's manufacturing operations at the beginning of switches, power sockets, ground fault sockets, etc. in the United States, 1988, the Group has achieved further advances in the company's expansion with the acquisition of POWER CONTROLS. The company specializes in home dimmers; it reported 1987 sales of 11 million dollars and employs 180 people in San Antonio (Texas).

International Fund for Agricultural Development, (United Nations) Rome (Italy) seeks: Assistant Secretary (Governing Council & Executive Board Affairs) RESPONSIBILITIES: Under the general supervision of the Secretary of IFAD, the incumbent assists in conducting the Fund's official meetings (including the Governing Council, Executive Board and Replenishment Conferences); maintains close cooperation with the Assistant Secretary for Member Relations and Protocol Affairs and with the Chief of the Translation Unit to ensure the efficient preparation and execution of official meetings of the Fund and supervises the preparation of documentation for such meetings; drafts (a) agenda, annotations, statements, minutes, reports, and records of official meetings (b) introductory statements and notes concerning agenda items for the President of IFAD, the Chairman of the Governing Council and the Chairman of the Executive Board. Represents IFAD at meetings. QUALIFICATIONS: Advanced University degree or equivalent in law or social sciences plus academic qualifications in international relations. 7 years of proven drafting, managerial and organisational capability and ability to work efficiently under pressure. Progressive experience in the management of development programs and participation in meetings of legislative bodies. Excellent drafting skills in English. Knowledge of Arabic, French, and Spanish desirable. SALARY & BENEFITS: IFAD as part of the United Nations common system offers competitive international salaries, benefits and allowances. Please send two copies of detailed resume to: Personnel Division, IFAD Via del Serafico, 107, 00142 ROME, Italy. Closing date for applications: 7 November 1988 (Only short-listed applicants will receive an acknowledgment)

BUSINESS OPPORTUNITY EXCELLENT CASH FLOW ENORMOUS PROFIT POTENTIAL International Company seeks persons with Marketing, Sales, Administrative or Communications skills to enter highly lucrative market. Comprehensive training and support provided. Areas now available: LONDON & NATIONWIDE TEL: John Paterson 01-549 3444.

VICE PRESIDENT / MANAGING DIRECTOR EUROPE We are seeking an outstanding individual to lead and grow a major pharmaceuticals and consumer products company with revenues in excess of U.S. \$70 million which is located in Europe. The VP/Managing Director will hold complete profit and loss accountability and manage the entire organization by means of his well-developed leadership skills. This person will be responsible for maintaining existing product lines and developing and managing new product lines while adhering to each country's regulatory affairs. The successful candidate must have a degree in business or the sciences and 8-15 years of line management experience in an international division of a pharmaceuticals or consumer products company, current P&L responsibility and demonstrated expertise in sales and marketing. Fluency in German and English is mandatory. Please send a comprehensive resume, present compensation and requirements to: Box D235, International Herald Tribune, 850 Third Ave., 10th floor, New York, N.Y. 10022, USA.

A newly formed REAL ESTATE COMPANY - part of the number one Financial Group in Italy - engaged in the development of Shopping Centers and Hypermarkets, has openings for the following executive positions: 1. ASSISTANT DIRECTOR OF REAL ESTATE - Strong experience in retail, namely Shopping Centers and Hypermarkets. 2. RETAIL ARCHITECT - Wide experience in Shopping Centers and Hypermarkets; - Capable to interpret concept and operational criteria; - Able to develop site plans following feasibility studies; - Experience in all phases of design and construction of the above. Applicants should preferably have actively participated in the French retail revolution during the last fifteen years. Head Office: MILAN - Italy. Please send a detailed CV, by air mail, quoting reference AR 22023 HT to: ATHENA Research - via G.C. Serbelloni 4 - 20122 Milan (Italy)

Commodity Indexes, Market Guide, Continuum Results, Value of Nobel May Rise Sharply

Wednesday's AMEX Closing

Tables include the notional price up to the closing on Wall Street and do not reflect late trades elsewhere.

Table with columns: 12 Month High/Low, Div. Yld. PE, St. High/Low, and Class. Lists various stock symbols and their closing prices.

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INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) Sept. 28, 1988

Large table listing various international funds with columns for fund name, share price, and other details. Includes sub-sections for 'Other Funds' and 'AMEX High-Lows'.

AS - Australian Dollars; BF - Belgium Francs; CS - Canadian Dollars; DM - Deutsche Mark; ECU - European Currency Unit; FF - French Francs; FL - Dutch Florins; Lf - Italian Lira; £ - British Pound; Sfr - Swiss Franc; ¥ - Japanese Yen; \$ - U.S. Dollar; C\$ - Canadian Dollar; A\$ - Australian Dollar; NZ\$ - New Zealand Dollar; HK\$ - Hong Kong Dollar; M\$ - Malaysian Dollar; S\$ - Singapore Dollar; T\$ - New Taiwan Dollar; NT\$ - New Taiwan Dollar; P\$ - Philippine Peso; Rp - Indonesian Rupiah; R\$ - Brazilian Real; R\$ - Argentine Peso; R\$ - Chilean Peso; R\$ - Colombian Peso; R\$ - Costa Rican Colon; R\$ - Cuban Peso; R\$ - Dominican Peso; R\$ - Ecuadorian Dollar; R\$ - Guatemalan Quetzal; R\$ - Honduran Lempira; R\$ - Mexican Peso; R\$ - Nicaraguan Cordoba; R\$ - Panamanian Balboa; R\$ - Paraguayan Guaraní; R\$ - Peruvian Sol; R\$ - Salvadoran Colon; R\$ - Uruguayan Peso; R\$ - Venezuelan Bolívar; R\$ - Zambian Kwacha; R\$ - Zambian Kwacha; R\$ - Zambian Kwacha.

Vertical advertisement on the right side of the page, including 'CURRENCY Dollar', 'Banker's', and 'Wednesdays'.

CURRENCY MARKETS

Dollar Eases While Pound Rallies

NEW YORK — The dollar traded mostly lower against key foreign currencies on Wednesday as dealers focused on the British pound, which rallied following supportive remarks by a top British government official.

Table with 3 columns: Currency, Bid, Ask. Includes Deutsche mark, Pound sterling, Swiss franc, French franc.

Traders focused attention on the pound after the chancellor of the Exchequer, Nigel Lawson, said that it would be inappropriate to let the currency decline as a means of adjusting the British current account deficit.

International Monetary Fund and World Bank in Berlin have called for greater free trade and for commercial banks to do more to help trim the \$1.23 trillion Third World debt burden.

Sprinkel Calls Price Rises Temporary Phenomenon

WASHINGTON — Beryl W. Sprinkel, President Ronald Reagan's chief economic adviser, said Wednesday that recent price increases were temporary and that inflation was not threatening the U.S. economy.

Debtors Say Relief Is Short of Needs

By Carl Gewirtz International Herald Tribune BERLIN — The Third World's response here Wednesday to the industrialized nations' weekend offer of partial debt relief was, by and large, one of disappointment.

raise taxes to cut its budget and trade deficits drives up interest rates and, as a result, the cost of servicing Third World debt.

Banker Says Dollar, Pound Must Decline

WEST BERLIN — The dollar and the pound have to fall to out trade deficits in the United States and Britain, according to the chairman of Midland Bank PLC, Kit McMahon.

Brady, New U.S. Treasury Chief, Treads Softly

By Reginald Dale International Herald Tribune BERLIN — Nicholas F. Brady, the new U.S. Treasury secretary, stepped quietly in and out of his first international meeting this week leaving an expected world financial community little change of taking his message.

Until his appointment last month, Mr. Brady was chief executive of Dillon, Read & Co., a New York investment banking firm, with little experience in top-level, government-to-government international financial diplomacy.

Bush wins on Nov. 8, making them particularly interested in his views on such matters as the U.S. budget deficit and exchange rate policies.

Peru Courts Its Creditors

BERLIN — Peru has been approaching senior officials of the International Monetary Fund and World Bank meeting here this week in a bid to improve relations with its creditors, Peruvian and banking sources said Wednesday.

Signaling this, the Peruvian economics minister, Abel Salinas, was due to meet with the managing director of the IMF, Michel Camdessus, for exploratory talks.

Wednesday's OTC Prices. NASDAQ prices as of 4 p.m. New York time. This list, compiled by the AP, consists of the 1400 most traded securities in terms of dollar volume.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, 4 P.M. Close. Lists various stocks like AIG, AIGP, AIGS, etc.

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Former Toy Official Is Charged by the SEC With Insider Trading

WASHINGTON — The Securities and Exchange Commission has charged a former official of Toys 'R' Us Inc. with illegal insider trading of options on the toy retailer's stock while he possessed a confidential forecast of improved sales for the Christmas season in 1986.

The SEC civil suit, filed Monday in federal court in Newark, named as the defendant James M. Markham, a former director of industrial purchasing at the Toys 'R' Us headquarters in Rochelle Park, New Jersey.

Wednesday's AMEX Closing. Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trade elsewhere.

BOOKS

1941: Our Lives in a World on the Edge

By William A. Klingaman. 448 pages. \$22.95. Harper & Row, Publishers Inc., 10 East 53d Street, New York, N. Y. 10022.

Reviewed by Arnold I. Isaacs

ONDON stoically endures the last and most brutal raids of the German bombing campaign. Adolf Hitler, proclaiming that "the name of Moscow will vanish forever," sends 148 German divisions to invade the Soviet Union, opening the most colossal clash of armies in the history of warfare. Following the front-line troops are the SS Einsatzgruppen, execution units whose assignment (foreshadowing the death factories that will soon make killing even more efficient) is to murder Jews and other supposed racial inferiors and enemies of the Reich.

On the far side of the world, Japan's military rulers are planning their huge gamble of war with the West. And in America, still meekly at peace, Joe DiMaggio sits safely in 56 straight games; President Franklin D. Roosevelt cautiously and somewhat deviously tries to position the country for future conflict without arousing an isolationist reaction; and a disastrously unprepared nation sluggishly and reluctantly begins to arm for the war that will come, in the final weeks of the year, with the devastating Japanese attack on Pearl Harbor.

From these and many other events, William A. Klingaman has constructed a mosaic of "a world on the edge," as he calls it—the world of 1941, the year World War II became a truly global conflict and (as far from clear at the time but is evident in retrospect) the year in which Nazi Germany and imperial Japan were each led by overreaching ambition to attack too powerful opponents and thus sealed their own eventual defeat.

As in his first book, "1919: The Year Our World Began," Klingaman's goal is the dramatic re-creation of events, not historical analysis, and his sources are, for the most part, contemporary accounts and first-hand memoirs. From these he has called a mass of descriptive detail and evocative quotes, woven into a fluent, fast-paced, readable narrative.

At its best, Klingaman's writing achieves a poetic vividness—as when, in a passage describing London under German attack, he writes about searchlights that

"felt for the bombers with broad stalks of light that faded into the mists at the edges," while "antiaircraft guns thumped and pounded at the invaders and shells burst like weird blue diamonds below the stars."

For all Klingaman's impressive research and fluent style, though, "1941" lacks a little in freshness, perhaps because much of its material is already so familiar. London under the Blitz, the Pearl Harbor attack, convoys across the North Atlantic, even the war in Russia—these are all stories that have been told many times before, in both fictional and nonfictional form, and not only in books but in plays and movies and on television as well. Although Klingaman retells them well enough, he really has nothing new to offer his readers.

The book also suffers from a somewhat uneven treatment of its subject matter. Klingaman's portrayals of Japan and the Soviet Union or the brink of war are quite cursory and drawn from a very narrow selection of sources, compared with his far fuller accounts of Britain and America. (The treatment of Germany falls somewhere in between.) The disparity does not seem to reflect a judgment of historical significance, but simply the far larger volume of available contemporary writing on the British and American experience.

Nonetheless, "1941" is well worth reading for its portrayal of the spirit, mood and texture of the times. It will certainly reward those readers who would like to have, in a single readable volume, a refresher course on some of the major early turning points of World War II. In addition, by presenting the year's events panoramically, instead of pursuing one or another subject more narrowly as conventional histories tend to do, Klingaman succeeds in persuading us that 1941 was indeed one of those milestone years, transforming the world and changing irrevocably the lives of virtually everyone living or yet to be born.

"1941" may have a special impact for one group of readers: those who were born, as I was, during that year. Writing about that age group, I once observed that we 1941 babies seemed to resemble survivors from some vanished civilization, "like children in a flood, led away from our native village just as the waters poured over to drown it forever." Reading William Klingaman's vivid account of the world that year, a world on the edge, brought that feeling back once again.

Arnold I. Isaacs is the author of "Without Honor: Defeat in Vietnam and Cambodia." He wrote this for The Washington Post.

BRIDGE

By Alan Truscott

THE second Royal Viking continent-wide game was played recently at clubs throughout North America. This follows the successful precedent of the Epton World Pairs in which the diagrammed deal was played June 4. The official analyst pointed out that four hearts could be made if the lead was helpful, but Howard Fitch of Andover, Massachusetts, made a useful overtrick with no help at all.

Two diamonds was a Drury convention variation, and a diamond was led. Fitch finessed, won with the ten and repeated the finesse. He

finessed the club jack, and West won with the ace and led a third diamond to dummy's king, allowing a spade discard. A spade to the queen proved to be another successful finesse, and the club king was cashed. A low heart lead forced West to duck, and the queen won. The diamond ace provided another spade discard, and as East could not ruff, the position was clear. Fitch ruffed a club, cashed the spade ace and led the heart eight to endplay West at the finish.

In events of this type the match points are predetermined. When the deal was over, Fitch knew that he had scored 89 out of a possible 100.

BRIDGE puzzle with North (D) and South (S) hands, and a list of clues for the puzzle.

World Stock Markets

Via Agence France Presse Closing prices in local currencies, Sept. 28

Table of World Stock Markets with columns for Amsterdam, Frankfurt, London, Madrid, Milan, Moscow, New York, Paris, Rome, Tokyo, and various international indices.

Table of various international stock indices and exchange rates, including sections for Tokyo, Toronto, and Sydney.

ACROSS crossword puzzle clues and grid.

WEATHER forecast for Europe, Asia, North America, Africa, Latin America, and Oceania.

DENNIS THE MENACE comic strip panels.

JUMBLE word puzzle with clues and a cartoon illustration.

PEANUTS comic strip panels.

BLONDIE comic strip panels.

BETLE BAILEY comic strip panels.

DOONESBURY comic strip panels.

DOWN crossword puzzle clues and grid.

ANDY CAPP comic strip panels.

WIZARD OF ID comic strip panels.

REX MORGAN comic strip panels.

GARFIELD comic strip panels.

PEANUTS comic strip panels.

BLONDIE comic strip panels.

BETLE BAILEY comic strip panels.

Solution to Previous Puzzle with a grid of words.

DOONESBURY comic strip panels.

ANDY CAPP comic strip panels.

WIZARD OF ID comic strip panels.

REX MORGAN comic strip panels.

GARFIELD comic strip panels.

PEANUTS comic strip panels.

BLONDIE comic strip panels.

Foresight In Tokyo And Bonn

PARIS — The population of Japan and West Germany have virtually stopped growing...

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OLYMPIC RESULTS

MEDALS

Table showing medal counts for various countries in the Olympics.

FENCING

Table showing results for fencing events.

EQUESTRIAN EVENTS

Table showing results for equestrian events.

JUDO

Table showing results for judo events.

TRACK AND FIELD

Table showing results for track and field events.

BASEBALL

Table showing results for baseball events.

BASKETBALL

Table showing results for basketball events.

SOCCER

Table showing results for soccer events.

WRESTLING

Table showing results for wrestling events.

TABLE TENNIS

Table showing results for table tennis events.

OLYMPICS ON TV

THURSDAY, SEPT. 29
AMERICAN TV
11:30 P.M. - 12:30 P.M. (ET)
12:30 P.M. - 1:30 P.M. (ET)

FRIDAY'S EVENTS

DAY 1 (ALL TIMES GMT)
Archery - 9:00 men's and women's
Badminton - 9:00 men's and women's

WOMEN'S DISCUS

Qualifying Group 1 - Zdenka Silova
Group 2 - Diana Gribanov

WOMEN'S LONG JUMP

Qualifying Group 1 - Yelena Prokhorova
Group 2 - Yelena Prokhorova

WOMEN'S 100 METERS

Final - Svetlana Gerasimova

WOMEN'S 200 METERS

Final - Svetlana Gerasimova

WOMEN'S 400 METERS

Final - Svetlana Gerasimova

WOMEN'S 800 METERS

Final - Svetlana Gerasimova

WOMEN'S 1500 METERS

Final - Svetlana Gerasimova

WOMEN'S 5000 METERS

Final - Svetlana Gerasimova

WOMEN'S 10000 METERS

Final - Svetlana Gerasimova

SOX BOMBED AGAIN;

3 Teams 3 1/2 Behind

Compiled by Our Staff From Dispatches
BOSTON — The Red Sox have it wrapped up, right? Can't miss? Well...

BASEBALL ROUNDUP

ALIVE IN THE AMERICAN LEAGUE EAST
The Red Sox still lead Detroit, New York and Milwaukee by 3 1/2 games with five left to play...

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WOMEN'S 800 METERS

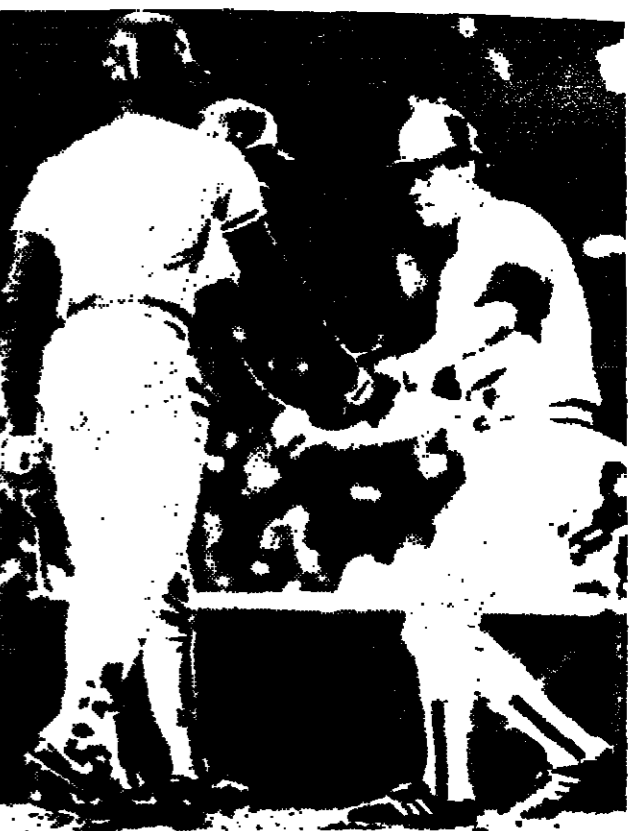
Final - Svetlana Gerasimova

WOMEN'S 1500 METERS

Final - Svetlana Gerasimova

WOMEN'S 5000 METERS

Final - Svetlana Gerasimova



Wadeon Thomas (Boston) is congratulated by teammates after a three-run first-inning homer in Boston.

SCOREBOARD

Table showing scores for various baseball games.

Major League Standings

Table showing the current standings for Major League Baseball teams.

TRANSITION

BASEBALL
American League
CLEVELAND - Signed Doc Edwards...

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SPORTS / 1988 SUMMER OLYMPICS

Mecir Ousts Edberg And Faces Mayotte For Gold in Tennis

Compiled by Our Staff From Dispatches SEUL — Tim Mayotte won the baton of the American and Miloslav Mecir turned the tables on Stefan Edberg as the United States and Czechoslovakia advanced Wednesday to the men's final at the Olympic tennis tournament.

Mayotte, justifying his No. 2 seeding, outplayed Brad Gilbert, 6-4, 6-3, forging ahead every time his compatriot threatened a comeback.

"The Olympics have... inspired me to go out and try to play with a positive attitude," he said. "On the tour sometimes, you just get involved in the money and points and rankings."

Gilbert said he felt "absolutely zero" about being left with only a chance at bronze after coming to Seoul for gold. "He had all the answers," said Gilbert of Mayotte. "He won all the big points. He was the aggressor."

Edberg, the top seed, also wound up with only bronze hopes as Mecir upset him, 3-6, 6-0, 1-6, 6-4, 6-2.

Mayotte will face Mecir for the gold on Friday, with the loser getting the silver. Gilbert and Edberg will receive bronze medals.

"I feel something different at this event," Mecir said. "You see other sportsmen fighting for a special place. You don't see that at other tournaments."

Pam Shriver and Zina Garrison made sure of at least two silver medals for the United States as they reached the women's doubles final, beating Australia's Wendy Turnbull and Elizabeth Smylie, 7-6, 6-4.

In the final, the Americans will play Czechoslovakia's Jana Novotna and Helena Sukova, who downed the West German team of Steffi Graf and Claudia Kohde-Kilsch, 7-5, 6-3.

In fencing, West Germany won its sixth medal in eight days when the women defeated Italy, 9-5, for the team foil gold. Italy took the silver and Hungary won the bronze.

In handball, the powerful Soviet team will meet South Korea, the surprise of the tournament, for the gold medal. The world champion Yugoslavian team will play for the men's bronze against Hungary.

Yugoslavia beat Sweden, 25-21, to gain a chance to medal. Korea got a shot at the gold when Hungary upset East Germany, 18-17.

Claes Hellegrin, a goaltender for Sweden, credited the Korean handball teams with playing a new kind of ball.

"They have invented a better way to play," he said. "They are faster, with a different temperament. They throw the ball differently."

In field hockey, Britain defeated Australia, 3-2, while West Germany edged the Netherlands, 2-1, to reach the men's finals. Two-time Olympic champion Britain and the 1972 Olympic champions West Germany meet in the finals Saturday.

In archery, South Korea topped the team events for both men and women after the qualification rounds. Kim Soo Nyung led the women's field with 1,351 points while Vladimir Erchev of the Soviet Union paced the men's qualifiers.

In freestyle wrestling a U.S.-Japan match proved that there is no such thing as an insurmountable lead. Akira Ota of Japan demonstrated it to Jim Scherr in a fifth-round preliminary match in the 90-kilogram (198-pound) class.

Scherr was undefeated in four matches and one minute away from wrapping up an 8-0 decision that would have put him in the gold medal match when Ota halved Scherr's lead with a four-point takedown. Then, when Scherr attacked, Ota successfully countered and whipped the American over.

In one-half of one second, with :54 left on the clock, the match was over and Ota's by a pin.

In table tennis, Jiang Jialing of China, the No. 1 ranked player in the world, dropped a game for the first time in the Olympic tournament but still defeated the Hungarian veteran Tibor Klampar.

In synchronized swimming, Carolyn Waldo of Canada pulled ahead of her principal rival, Tracy Ruiz-Conforto of the United States, after the compulsory figures. Waldo had a total 199,350 points to Ruiz-Conforto's 197,033.

In the men's competition, Aha Byung Kwon of South Korea, the gold medalist in 1984, and Hirota Okada of Japan, the 1987 world champion, were beaten. Pascal Tavo of France defeated Okada in the 78-kilogram competition. Aha lost to Kevin Doherty of Canada.

(AP, UPI, AFP)

U.S. Runner Arrested

Johnny Gray, a U.S. runner who finished fifth in the 800 meters, has been arrested for kicking a taxi.

The Associated Press reported from Seoul. According to a police account, the taxi driver, complaining that Gray was blocking the road, blew his horn, after which Gray kicked the taxi and tried to flee. Gray was questioned at a police station, then released in the custody of U.S. Embassy officials. The case was forwarded to the Public Prosecutor for possible action on charges of violent assault, the police said.

Reuters reported that South Korean state radio said Wednesday that the U.S. swimmer alleged to have stolen an ornament from a night club is unlikely to be charged "in light of his status as an Olympic athlete and for the good of Korean-American relations."

Elsewhere, three Olympic soccer players were banned from Saturday's final between Brazil and the Soviet Union, according to Agence France-Press. Brazilian midfielder players Geovani and Ademir received one match suspensions from FIFA, the sport's governing body, along with Soviet defender Alexei Cherednik. All three were given their second yellow card of the tournament for infractions in Tuesday's semifinals.



American Kenneth Gould, left, on his way to a boxing victory over a Finn. In team jumping, Hubert Bourdy of France rides over a gate. Marina Lobach of the Soviet Union in rhythmic gymnastics.



Hubert Bourdy of France rides over a gate. Marina Lobach of the Soviet Union in rhythmic gymnastics.

Americans, Koreans, Soviets Survive Boxing Quarterfinals

The Associated Press

SEOUL — Roy Jones, landing big rights at will, beat and bloodied Yevgeny Zaitsev in the first U.S.-Soviet Olympic boxing match since 1976 on Wednesday to lead seven other Americans into the semifinals.

Jones battered Zaitsev's nose with a thundering right late in the first round and cut his lip in the second en route to an easy 5-0 decision win in the light middleweight division.

Super heavyweight Riddick Bowe added a first-round knockout over Peter Hrivnak of Czechoslovakia four bouts later to cap a day that saw all five U.S. fighters in action win their quarterfinal bouts and assure themselves of bronze medals at the worst.

"We knew we were capable of doing this good," said heavyweight Ray Mercer, who also scored a knockout win. "The press gave us no credit, saying we weren't that good. But it didn't faze us."

Wins by Mercer, Kennedy McKinney and Kenneth Gould earlier in the day enabled the United States to advance eight fighters to the semifinals, the most of any team. The Soviet Union and South Korea were second best, with four fighters each reaching the semis.

Three East German boxers also made the semifinals along with three fighters from the surprisingly strong Polish team.

Jones was dominant in his fight, overcoming a slow start to land almost every right lead he threw against the left-handed Soviet. The 19-year-old from Pensacola, Florida, began savoring late in the fight, taunting Zaitsev with flashy punches.

"When I first came out I wasn't sure what to expect," said Jones, who was tentative early before landing his first big punches. "Then I said, 'Oh boy, you're on a roll, keep on doing it.'"

It was the first Olympic matchup between fighters from the two countries since Michael Spinks stopped Rufat Riskiev in 1976.

Bowe's win was the eighth in nine quarterfinal bouts for a U.S. team that is beginning to exert its domination in the boxing competition. It came against an outclassed Hrivnak, who went down on a right hand and was counted out at 2:34 of the first round.

The 21-year-old Bowe appeared bemused when he saw his portly opponent, and threw only a few punches in the opening two minutes. After he was urged by U.S. Coach Ken Adams to pick it up, it took only a few punches to end the bout.

"My coach yelled, 'If you don't do something, now. I'm going to stop the fight,'" said Bowe of New York. "But I stopped the fight."

Mercer, a 27-year-old Army sergeant, scored a first-round knockout of heavyweight Luigi Gaudiano of Italy, while Gould scored a decision in the welterweight division and McKinney won in the bantamweight division by decision.

Three South Korean fighters also won by decision, including a 3-0 win in the light middleweights by Park Si-hun over Vincenzo Nardiello of Italy.

Mercer knocked out Gaudiano late in the first round with a savage right uppercut followed by a left hook to advance to a Thursday heavyweight semifinal against Arnold Vandendriple of Holland, who took a 5-0 decision win over Gyula Alvas of Hungary.

McKinney and Foster had little trouble winning easy decisions, with McKinney taking a 5-0 win over Stephen Mwema of Kenya and Gould winning 5-0 over Finland's Joni Nyman.

"Right now I'm not satisfied," said McKinney, a 22-year-old from Killeen, Texas. "I'm not guaranteed a gold with this win."

Games Official Says Johnson Told of Taking Drugs

(Continued from Page 1)

phian said of Johnson, "To my knowledge and to his knowledge, no, he has not taken anything."

"I never gave him any" steroids, Dr. Astaphan said. "He never told me he took any."

On the ABC "Nightline" program Tuesday night, Dr. Astaphan again denied the Sports Illustrated article. "These charges are totally untrue and unfounded," he said.

When Johnson rejoined the Canadian track team in Europe after his injury, he was in surprisingly "great shape," his coach, Charlie Francis, was quoted as saying last summer.

'My Brother Is Not a Druggie,' Sister Says

But Gerald Mach, head of the Canadian Track and Field Association, said Mr. Francis had always replied "absolutely no" to questions that Johnson's phenomenal improvements in recent years might be connected to drug use.

Dr. Lee said that he "had a hunch" from talking to Johnson about 30 minutes after the race that he might test positive.

"You get a feeling when you see an athlete," Dr. Lee said. "Some have no idea what's going on in doping control, and some are very defensive. I would say Mr. Johnson was more defensive, but maybe he's just that kind of guy. I don't know."

Dr. Lee said that while Johnson was waiting to be tested, he displayed none of the usual elation of gold medal winners and never mentioned the medal. He said he asked Johnson if he had taken any medication in the three days before Saturday's race, and said Johnson replied that he had taken three types, one by injection, for therapeutic purposes.

Some of the medication included partly banned substances known as corticosteroids, Dr. Lee said.

He said Johnson had to spend about an hour and a half in a waiting room before he could produce a urine sample.

Johnson arrived in Toronto on Tuesday night after a grueling trip from South Korea via New York City. He cried in the back of a limousine that took him to his mother's home in a Toronto suburb.

Surrounded by security guards, he dashed for the door when he arrived at the house. But he apparently forgot something and returned to the car 20 minutes later, his shirt over his head.



Dr. George Astaphan

Johnson had dedicated his gold medal to his mother, Gloria, and the Canadian people. It was surrendered to Canadian Olympic officials before the family left South Korea.

"Ben loved Mom too much to discredit her in any way," his sister, Claire Rodney, said outside the house.

"Right now he's just relieved to be resting at home," she said. "He looks great," she added. "Being at home is the best medicine for him. My brother is not a druggie."

The Canadian Track and Field Association said that a stricter drug-testing program for athletes will begin soon, but that comprehensive testing of all athletes had been rejected as too expensive and too harsh.

The new program calls for random testing of all athletes on a year-round basis rather only during national competitions or when they set world records.

Casey Wade, the competitions manager for the association, said the policy was planned late last year and had nothing to do with Johnson's disqualification.

Andy Higgins, coach of Canada's decathlon team, said Wednesday in Seoul that he long had seen signs of steroid use in Johnson.

"I'm not naive," he said. "Somebody has been training his butt off for five or six years, and all of a sudden, you see a change in performance and the shape of the human body."

James Worrall, an International Olympic Committee member from Canada, called Johnson "basically a decent, shy young man."

"Unfortunately, he's been persuaded by those managing him," Mr. Worrall said. "Johnson, Mr. Worrall said, "was a hero and role model."

"But now, of course, he's destroyed that," Mr. Worrall added. "He's destroyed his whole life."

(AP, Reuters, AFP)

W. Germany Jumps to a Rare 'Triple'

By Lawrie Milfin

SEOUL — West Germany's equestrians achieved an unusually difficult Olympic "triple crown" on Wednesday when the nation's jumping squad edged the United States for the gold medal.

The last of the three team events in the Games, and the West Germans won all three gold medals.

The three disciplines are jumping, dressage and the three-day event, which comprises jumping, dressage and a cross-country endurance test. Since 1928 in Amsterdam — the first time all three were part of the Olympics — only two countries have achieved that triple: West Germany in 1956, when the Olympics were in Berlin, and the Soviet Union in 1980, when the Games were in Moscow, and most of the top equestrian nations did not compete.

Winning all three events as riders become increasingly difficult has become more specialized. Twelve different riders, four on each team, made up the gold-medal-winning West German teams here.

The West Germans particularly excel at dressage, the discipline that demands the most precise training. They have won five of the last seven gold medals in dressage (taking the silver behind the Soviets in 1972 and not competing in 1980).

In 1984, in addition to their dressage gold medal, the West Germans won bronzes in both three-day event and jumping. The United States won both those gold medals and was widely favored to win the jumping gold here.

"We were super," Greg Best of the U.S. team said after the day-long jumping competition. "They were more super."

Each of four riders had to complete the demanding obstacle course twice, incurring penalties (called faults) for knocking down rails, refusing a jump or exceeding the time allowed of 116 seconds. After each session, the worst score is discarded and the other three added to make up the team's total.

West Germany was the only team that had two clean rounds (no faults), and finished the day's two sessions of competition with a total of only 17.25 points (time faults are assessed in quarters of points).

The Americans, with team, only one rider back from the 1984 team, Joe Farris, got a clean round from him and his horse Mill Pearl in the afternoon session (he had a 25 time fault) to lock up the silver medal. The U.S. team had a total of 20.50 points.

France made a remarkable comeback to take the bronze. The French had 18.75 penalty points after the morning session alone, but added only 8.75 more. Two of their riders had only four faults (one rail down) each in the afternoon, and then it was all up to their final entrant, Pierre Durand, and his sensational horse, Juppelot.

"I knew I was riding for the medal," said Durand, who had to have a clean round to win it.

Samiranch Cites Canadian Sailor

PUSAN, South Korea — Canadian yachtsman Lawrence Lemieux did not win a race here but he will go home with an Olympic prize for rescuing a fellow sailor who had fallen overboard.

"I'm still trying to work out why this is happening," Lemieux said Wednesday after receiving an award from Juan Antonio Samaranch, president of the International Olympic Committee.

Lemieux plucked Joseph Chan of Singapore from the sea during a race at the southeastern port of Pusan on Saturday when he saw him in trouble.

The Canadian was later awarded second place despite finishing 21st in the race. He finished 11th overall.

Steroids Pose Major Health Risks

By Lawrence K. Altman

New York Times Service

NEW YORK — Anabolic steroids are compounds that cause the body to build up muscle and other tissue. As growing numbers of athletes have begun using them in recent years, medical experts have expressed deep concern about their dangers.

In addition to the possibility of sexual and reproductive disorders, evidence indicates that anabolic steroids can cause cancers and benign tumors of the liver, hepatitis, liver failure, cysts of the spleen, internal bleeding, and changed cholesterol levels in the blood.

Steroids are licensed in the United States for a variety of medical purposes, but they are not for use by athletes to build muscle.

They are easily obtained from mail-order companies that buy them in Mexico and abroad, as well as from some veterinarians and physicians willing to prescribe them for non-medical purposes.

The tests performed on the Canadian sprinter Ben Johnson detected evidence of an anabolic steroid called stanozolol. It is a synthetic derivative of the male sex hormone testosterone and is taken as tablets.

Johnson's agent, Larry Heidebrecht, has said that the sprinter may have taken a drink that was laced with stanozolol through a mistake or sabotage shortly after he ran Saturday.

But Prince Alexandre de Merode, the chief of the International Olympic Committee's medical commission, said that the test results of Johnson's urine "excluded all possibility" that stanozolol could have been administered after the competition and before the test.

"I think that some will simply say that he made a mistake" in not being able to flush the steroids from his system in time, said Dr. Arnold Beckett of Britain, a member of the International Olympic Committee's medical commission.

"They just might say: 'Without that mistake... I just don't know which way it will go.'"

It can go in a positive direction if countries, including the United States, decide to stop making it fairly easy to cheat. By the rules that exist now, all that is said to the athletes now is: "Take your shot. Be smart enough not to get caught."

The U.S. Olympic Committee and the governing bodies for sports announce when their testing will take place. That is because Americans find it offensive to intrude on privacy very often. Many Americans consider the act of drug testing itself wrong.

"If you're going to solve the problem of anabolic steroids, out-of-competition testing is absolutely essential," said Beckett. "It may be offensive to some, but it's a way to protect sport. And if you do that, you're also protecting society, because there are so many role models in sports."

Without some sort of firm and reasonable detection policy, the innocent get lumped with the guilty. Usually, said Jack Scott, a long-

Offensive or Not, Tests During Training Will Help

By Ken Denlinger

Washington Post Service

SEOUL — Ben Johnson is more about values than drugs. It is impossible to elevate sport to Olympian heights and expect all athletes not to cheat; it is also naive to believe that anything short of out-

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of-competition testing will catch them.

How will young and impressionable athletes react to Johnson's being caught using anabolic steroids? I am just skeptical enough to believe that as many will gravitate toward using them as will be frightened away.

For Johnson, the punishment is humiliation beyond belief. These were his Games in glory; they are his in shame. Still, he was the fastest man on earth — and that's a powerful lure.

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Without some sort of firm and reasonable detection policy, the innocent get lumped with the guilty. Usually, said Jack Scott, a long-

time critic of American sports and former athletics director at Oberlin College, "a good pair of eyes is all the testing you need."

By that he means simply noticing dramatic increases in performance and drastic differences in body definition. Scott is part of the Carl Lewis therapy team and said he

was explosive. Scott estimates that winning the 200-meter dash in the 1968 Games was worth about \$20,000 to Tommie Smith; he said Johnson's people estimated that beating Lewis for the 100-meter title here would be worth \$10 million over the next five years.

No world-class athlete was star-

ting briefly with Johnson after his leg injuries earlier in the year.

Scott said: "Johnson's physician, Dr. George Mario Jamie Astaphan, claimed he was the reason for Ben's success." And Scott added: "There is a sadness about this wonderful person getting trapped by very ambitious people."

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Olympic Games Seoul advertisement featuring a Longines watch and the slogan 'Official Timekeeper of the Olympic Games 1988 Calgary and Seoul'.

Handwritten signature or mark at the bottom of the page.

SPORTS / 1988 SUMMER OLYMPICS

Soviets Defeat U.S. by 82-76, Play Yugoslavia for Gold in Basketball

By Michael Wilbon
Washington Post Service

SEoul — This time they did not need to replay the last three seconds of the game. This time there was no controversy; the U.S. men's basketball team could not claim for a second that it had been cheated in any way.

The Soviet Union, led by Arvid Sabonis, beat the United States in Olympic basketball Wednesday and won fair and square. The Soviet players beat the great John Thompson defense, beat the great David Robinson, beat the thought-to-be invincible United States and its superior basketball program.

The score was the Soviet Union 82, the United States 76. After compiling an 85-1 record since basketball became an Olympic sport in 1936, the United States fell on its face in its first Olympic game against the Soviet Union since the controversial gold medal contest in 1972 in Munich.

The United States didn't even get to the gold medal game this time. This time, it will be the Soviet Union playing for the gold, on Friday, against Yugoslavia.

Yugoslavia, with the 7-foot (2.1-meter) Vlade Divac getting 15 points and 10 rebounds in the first half, with Drazen Petrovic sinking six three-point shots and scoring 24 points, routed Australia, 91-70, late Wednesday.

Australia, already assured of its best Olympic finish, will play the United States for the bronze medal Thursday night.

Sabonis showed why the Portland Trail Blazers had chosen him in the first round of the National Basketball Association's 1986 draft. He scored 13 points, grabbed 13 rebounds and cut a Bunyanesque figure, a man playing with boys.

Basketball Association's 1986 draft. He scored 13 points, grabbed 13 rebounds and cut a Bunyanesque figure, a man playing with boys. The 7-3, 275-pound (125-kilogram) center, who had been 18 months rehabilitating an Achilles' heel injury, played his finest game of the competition.

But he got plenty of help. Rimas Kourtinaitis, the Soviet Union's designated shooter, scored 28 points and got seven rebounds in a reserve role, while Sharmas Martichoulenis scored 19 points and helped point guard Titi Sokk either unravel the Americans' vaunted, pressing defense or discouraged them from using it altogether.

For the Americans, especially because of 1972, it was as painful a defeat as they could suffer.

"I would hope the American pub-

lic is a little more sophisticated than to base everything on a result," said Thompson, the coach. "These were 12 individuals trying as hard as they can to represent their country. I told them I didn't want anybody crying. I didn't want anybody acting ashamed. I think they'll let us back into the country."

For the United States, Robinson got 19 points and 12 rebounds. But it hurt that Manning, a U.S. college basketball player of the year last season, quickly got into, and stayed in, foul trouble and did not score a point. It hurt that the injured Hershey Hawkins and his three-point shooting were unavailable. And it hurt that they fell quickly behind.

The Americans led only twice, at 21 and 4-3.

The score was tied once, at 27, on Dan Majerle's three-point play.

But the United States trailed, 47-37, at halftime and fell behind by 14 points in the second half.

Then, with forward J.R. Reid leading the rally, the United States closed to 52-50. But the Soviet players held their poise and extended their lead again on Kourtinaitis' outside shooting. Next, Charles Smith made a three-pointer and Vernell Coles drove for the lay-up that made it 59-55. A turnover by Martichoulenis led to Willie Anderson's fast-break dunk. It was 59-57, and there were signs the Soviets were starting to feel the pressure.

Sabonis missed a free throw, and soon the players were arguing with their coach, Alexander Gomelsky. But that was just a momentary lapse. Majerle's three-point play, in the final minute, for 79-76, only made the final score closer.

But Was This the Best U.S. Team?

By Peter Alfano
New York Times Service

SEoul — In defeat, John Thompson tried to be philosophical, saying that hard work and a good effort should be its own reward.

It may have been the right thing to say, but those were not his sentiments during the summer when he was apprehensive about falling short of the gold. And it wasn't the attitude echoed these past two weeks, when he said that the first priority was to win, not have a good time.

Judging by their stunted expressions, the players apparently were not swayed the new Thompson rationale either. The United States

brought an 85-1 Olympic record into Wednesday's semifinal against the Soviet Union. The only loss had been to the Soviets in the controversial final in 1972, in Munich.

To this day, many feel that the Americans were cheated of victory when the final three seconds were replayed twice. There was no doubt, however, about which was the better team Wednesday. The Soviet Union outplayed the Americans in every phase of the game. The Soviets neutralized Thompson's vaunted pressure defense with a textbook passing game; they slowed the fast break to a walk, hitting their outside shots, then dropping back quickly on defense.

Thompson had built his team on defense, a coaching philosophy that won him a national title at Georgetown University and made the Hoyas a perennial power. To make his point, he chose Stacy Augmon of Nevada-Las Vegas, a defensive specialist, as his 12th player.

What Thompson probably needed Wednesday, though, was a scorer such as Mark Macon of Temple, Steve Kerr of Arizona State, Stacey King of Oklahoma, Sherman Douglas of Syracuse, Danny Ferry of Duke. All could have filled that need but were cut during various stages of the Olympic trials.

Hershey Hawkins was the only player of that type on the team Thompson assembled. When Hawkins was sidelined midway through the competition with a knee injury, it left the United States without someone to fill the role as the sixth man the way Rimas Kourtinaitis does for the Soviets.

"The people we had were the people we chose to take," Thompson said in his own defense. "I'm disappointed but these kids gave their all to represent their country."

Thompson put together his team as if it were October and they were all meeting in the Georgetown

gym. It is a team made for a five-month college season, not two weeks. Given the nature of Olympic play — the medal round is single elimination — no team can afford to have a bad game.

Thompson also could be second-guessed about the manner in which he used, or did not use, Danny Manning on Wednesday. After drawing his second foul less than three minutes into the game, Manning was benched for the rest of the half. The Soviets built a 10-point lead in his absence, dictating play.

Manning is an experienced player, accustomed to situations such as these. Thompson, who coach a spectator and Manning had, most likely, the worst game of his career.

"It's one of the biggest disappointments of my life," a somber Manning said after the game.

He added: "It's hard to take, any way you look at it."

At the other extreme, Sharmas Martichoulenis had four fouls in the first half and Arvid Sabonis three, but Alexander Gomelsky, the Soviet coach, kept them in the game.

Representing a country that had won nine of the 10 previous Olympic gold medals in basketball, Thompson not only had to win, but he had to do it impressively. "The Russians," said Lute Olson of Arizona State, "saw Lute Olson of the U.S. team in the 1986 world championships, 'has to be very intense. If you win, people say, 'So what?' If you don't, they want to know why. I think John did a tremendous job of putting together a team he was comfortable with."

But was it the best team? Three times during the 1980s, U.S. teams have lost to Canada in international tournaments. In 1981, at the Pan American Games, it was upset by Brazil in the final. It is obvious that the world is catching up, at least to U.S. collegians.

This Defeat May, at Least, Bring Out the NBA

By Dave Anderson
New York Times Service

SEoul — Now that the Soviets have turned the U.S. basketball team into a bronze bust at best, the whine fermented by American sports fans might demand that National Basketball Association players be allowed to compete in the Olympics.

And for the good of the game, even the wily white-haired Soviet coach, Alexander Gomelsky, the real Red on Roundball, hoped that happens.

"If NBA players go into Olympic Games, all people see basketball progress," Gomelsky said in his charmingly accented English. "I'm basketball man. I like basketball to get up to be No. 1 sport in the world. Larry Bird, Magic Johnson, Michael Jordan. This year not possible. But 10 years possible."

Maybe four years possible. With the Olympics already open to National Hockey League players, pro tennis players and pro soccer players (except for European and South American World Cup team members) already allowed "pros" in track and field and skiing, can NBA players be far behind?

Supplying some players and perhaps a coach for the 1992 U.S. team is the least the NBA can do after helping arrange exhibition games that helped prime the Soviet team that dominated the United States, 82-76, in the Olympic semifinals.

Unlike the NHL's schedule conflict with the Winter Games, the NBA's schedule is compatible with the Summer Games. But it won't be

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easy to get all the best players. Some NBA chubbies surely will object to their multimillion-dollar properties being risked in the Olympics.

Another question: how much would each of the NBA players be paid? Or would they be willing to do it for God and country?

Another question: could the NBA coexist with the International Basketball Federation that rules Olympic basketball.

In any event, it's unlikely that a future Olympic team would be the NBA all-star team. But it could be dominated by a few NBA players who simply want to win an Olympic gold medal. Especially now that the Soviets have a two-game winning streak against the United States.

"The Russians have poise and maturity," John Thompson, the U.S. coach, had warned. "There's no team here that knows each other more and plays as well together."

Several months ago Thompson complained that the NBA was helping the Russians by promoting exhibition games with the Milwaukee Bucks and the Atlanta Hawks. He also griped about the Portland Trail Blazers arranging for Arvid Sabonis to work out in Oregon while rehabilitating a damaged Achilles' tendon under the care of their team physician.

"Coach Thompson, great coach, but he's not foreign minister," Gomelsky said. "Today U.S. Soviet Union have good contact in politics, economics, sports. People sleep, no problems. Maybe coach Thompson do not understand this."

Maybe most people in America and Russia do sleep better now that glasnost has deciced the cold war somewhat. But for the next few nights Thompson might be second-guessing himself for not having chosen another three-point shooter to offset Rimas Kourtinaitis, he with the blond rat-tail haircut. He had 28 points, and four three-point baskets, as many as all the Americans.

Thompson's only real outside shooter, Hershey Hawkins, remained on the bench with a disengaged knee. "I think the player we could've used was Hershey," Thompson said. "If we could've called those three-pointers, we'd have had a better chance."

After the Americans closed to 52-50 early in the second half, the Soviets surged ahead, 65-57, and never let their lead get less than 79-76. They had shattered Thompson's press by running picks off Sabonis, the skyscraper who reduced J.R. Reid to resembling a six-story apartment house. Only 23 years old, Sabonis had 13 points and 13 rebounds. If healthy, he will be a force in the NBA if and when the Soviets allow him to join the Trail Blazers.

"Sabonis is a presence on the court, he's also an excellent passer," said Thompson, finally unable to hide his annoyance with the Trail Blazers' arrangement. "He had to be improved. He's been working hard all summer against America's finest."

America's finest, judging by that remark, are the NBA players, not his Olympic team of NBA rookies and collegians. But now that the Americans must defeat Australia to salvage the bronze medal, some NBA players might be willing to sacrifice their June and July in 1992 to prepare for the Games in Barcelona and restore some basketball respect for the United States.

In 1992, some of this year's Olympians, notably Danny Manning, might even want to return for another shot at the Russians. Manning, who will join the Los Angeles Clippers as the very first choice in the NBA draft, didn't score. Zero. Zilch. After having been on the bench for the last 17 minutes of the first half with two personal fouls, he took a total of only four shots. He had only three rebounds and no assists.

"It was," Manning said later, "one of the biggest disappointments of my life." Thompson also acknowledged the "disappointment" at not winning the gold medal that the United States has considered its own. But he told his players that he didn't want to see any tears.

"They're very disappointed, I'm very disappointed," the coach said. "But there'll be life after." And by 1992, that life might include at least some of the best NBA players on the Olympic team.

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Sergei Bubka of the Soviet Union soars over the pole vault bar at 5.70 meters on his way to the gold medal height of 5.90.



Jurgen Hingsen of West Germany argues with an official after his disqualification. Joe DeLoach nips Carl Lewis in the 200-meter finals. Near the rim, Arvid Sabonis of the Soviet Union reaches beyond two U.S. players, David Robinson, left, and Danny Manning.



Ben Johnson in the Olympic 100 meters and the loss by Lewis in the 200 meters, someone suggested to the 27-year-old Lewis that a sprint car was ending.



Bubka Wins Vault, DeLoach Beats Lewis in 200

By Frank Litsky
New York Times Service

SEoul — The latest additions to the American and Soviet Olympic medal totals came Wednesday with typically impressive performances in traditionally strong events.

As expected, Sergei Bubka of the Soviet Union won a gold in his first Olympics to lead a Soviet medal sweep in the pole vault. Bubka, who has extended the world record nine times, cleared 5.90 meters (19 feet, 4 1/2 inches), far below the 6.10 meters that he had wanted to reach.

Rodion Gatulin won the silver medal with a vault of 5.85 meters and Gregory Yegorov won the bronze with an effort of 5.80.

Thierry Vigneron of France, the bronze medalist four years ago, was finished by an ankle injury after clearing 5.70 and placed fifth behind Earl Bell of the United States.

On the track, Americans had been expected to win all three medals in the 400 meters and at least two in the 200 meters. Only the orders of finish were unexpected.

Steve Lewis, 19, ran hard down the straightaway to hold off Burch Reynolds, the world record holder, and win in 43.87 seconds.

Lewis, who finished third behind

Reynolds and Everett at the U.S. Olympic trials, got out of the blocks exceedingly fast and set the early pace. Innocent Egbunike of Nigeria was also out well. But with less than 200 meters remaining, Lewis stretched his advantage a bit and was never seriously challenged through the finish.

Reynolds won the silver in 43.93, and Everett was third in 44.09.

"I wanted to get out pretty fast and hold the second curve," he said. "When I realized I was strong enough to come home, I raced to the tape. I felt Danny and Burch coming on, but then it was a matter of holding on."

Carl Lewis, who is not related to Steve, finished second to Joe DeLoach in the 200, and, thus, lost his chance to win gold medals in the same four events he won in 1984.

On Monday, he won the long jump, the gold for the 100 meters after Ben Johnson of Canada was stripped of his medal after testing positive for drug use. On Saturday, Lewis is to run the anchor leg on the U.S. 400-meter relay team, the favorite in that event.

Not that he seemed to mind. "I came here with the idea of having my best track meet ever, and so far I have," Lewis said, quite happy with the American record he ran in the 100 of 9.92 seconds and a 56th consecutive victory in long jump competitions.

"This is a tremendous thing that's happened," Lewis said. "Americans sweep the long jump, two Americans win in the 100 and now two Americans win in the 200. The best thing about it is that the U.S. can do well."

His time in the 200 wasn't bad either, 19.79 seconds.

But DeLoach's winning time, 19.75, matched the second-fastest

in history and lowered the Olympic record of 19.80 Lewis set four years ago. The two are training partners in Houston, and DeLoach gave much of the credit for his development to Lewis.

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DeLoach comes from Bay City, Texas, and is entering his senior year at the University of Houston. Lewis, a Houston graduate, helped recruit him. Lewis and DeLoach train in Houston under Tom Telzer, their college coach.

"Before I started training with Carl," said DeLoach, "I could run 19.80, but I didn't understand races. He taught me."

DeLoach is the youngest of 13 children — two boys and 11 girls. He is 21. His oldest sister is 42. Their father, Joe DeLoach Sr., is a maintenance man at a nuclear power plant in Bay City.

Joe DeLoach Jr. is an unordained pentecostal minister who last year preached his first sermon. He is affiliated with the Bible Days Revival Church in Bay City.

"He's running for God now," said his father. "Whenever he's not at school or running, he's at church. He's very mature and he listens to us."

"Since Carl lost his father last year, he's my son. He comes over every day, and he and Joe go fishing. They're just like brothers. His mother is living in Houston now, and we had her down. We are all family."

Lewis and DeLoach have been friends since 1984. The first time Lewis visited the family, DeLoach's sisters told their friends in advance. The whole neighborhood turned out.

"A cop came over to keep everything in order," said DeLoach's father. "But he really wanted to meet Carl, too."

With the drug disqualification of

Another Peaceful Day Afield

Compiled by Our Staff From Dispatches

SEoul — Sergei Bubka of the Soviet Union, the world record holder in the pole vault, came within a hair of not winning a medal Wednesday. Then he stalked off after winning the gold.

Jurgen Hingsen of West Germany, the former decathlon world record holder, started out after being disqualified in the opening event. Bubka began vaulting, like all the Soviets, at 18 feet, 8 1/2 inches (5.70 meters), when most of the other competitors already had been eliminated. At 19-4 1/2, he first missed badly, and his second an absolute mess. On his last try, he hit the bar. It bounced atop the stanchion, then hung on the far corner of the support. Bubka raised his arms as if to keep the bar from falling. When it did not, he began jumping about in an uncharacteristic outburst of joy. Had it fallen, Bubka — who has dominated pole vaulting for years — wouldn't have won a medal.

When he had wrapped up the gold, he asked that the bar be set at 20 feet. But when the few thousand people left in the stadium burst into applause at the sound of the stadium, Hingsen's high jump in the decathlon at the other end of the stadium, Hingsen slammed down his pole and walked off.

"I wanted to make his second try, officials began laying a provisional red carpet across the vault runway. Gatulin waved them slightly away but, his concentration broken, he passed under the bar. Hingsen, a leading contender for a decathlon medal, screamed at the South Korean officials. "It's impossible, it's impossible" after they turned on the red flashing light signaling his disqualification in a 100-meter heat.

The West German team protested that Hingsen had not been told of his second false start. Horst Blatterger, a team official said, "Hingsen does not dispute two of the false starts, but he never moved on the third one."

"I hoped no one would ask me about that," said DeLoach. "I really hate that, but that's what the game is all about. There are going to be disappointments and joys. This is a lifelong dream for me. This is the ultimate. It really means a lot, but I hate that I was the one to stop Carl's dream."

With the drug disqualification of

Ben Johnson in the Olympic 100 meters and the loss by Lewis in the 200 meters, someone suggested to the 27-year-old Lewis that a sprint car was ending.

"I don't think so," he said. "I improved the Olympic record I set in 1984 and I was defeated. I think sprinting has improved. And I'm going to run at least next year and then evaluate it on a year-to-year basis."

DeLoach comes from Bay City, Texas, and is entering his senior year at the University of Houston. Lewis, a Houston graduate, helped recruit him. Lewis and DeLoach train in Houston under Tom Telzer, their college coach.

"Before I started training with Carl," said DeLoach, "I could run 19.80, but I didn't understand races. He taught me."

DeLoach is the youngest of 13 children — two boys and 11 girls. He is 21. His oldest sister is 42. Their father, Joe DeLoach Sr., is a maintenance man at a nuclear power plant in Bay City.

Joe DeLoach Jr. is an unordained pentecostal minister who last year preached his first sermon. He is affiliated with the Bible Days Revival Church in Bay City.

"He's running for God now," said his father. "Whenever he's not at school or running, he's at church. He's very mature and he listens to us."

"Since Carl lost his father last year, he's my son. He comes over every day, and he and Joe go fishing. They're just like brothers. His mother is living in Houston now, and we had her down. We are all family."

Lewis and DeLoach have been friends since 1984. The first time Lewis visited the family, DeLoach's sisters told their friends in advance. The whole neighborhood turned out.

"A cop came over to keep everything in order," said DeLoach's father. "But he really wanted to meet Carl, too."

200 Is a Family Outing For DeLoach and Lewis

By Frank Litsky
New York Times Service

SEoul — Joe DeLoach and Carl Lewis are training partners and good friends. DeLoach's family treats Lewis like one of its own.

So when Lewis more or less eased toward the end of the 200-meter final in the U.S. Olympic trials two months ago and DeLoach won, Lewis seemed to be doing a favor for a friend. And when Lewis seemed to ease in the last stride or two of Wednesday's Olympic 200-meter final and DeLoach won the gold medal, Lewis was doing another favor.

Lewis said no.

"Joe just ran a tremendous race," said Lewis. "I'm a little surprised I ran as fast as I did, so I'm happy with my second. He did it all himself. I'm proud of him for that. I'm proud I was able to run a great time in the final, and that was a great time no matter where I finished."

"With 30 meters to go," said DeLoach. "I could sense Carl was there. I made a slight surge 20 meters out to come back, and I had the strength to do it. It was pretty sure I won, but it was close. I'm in the best shape of my life. I felt I had a chance to win just like everybody else."

DeLoach's time of 19.75 broke Lewis's Olympic record of 19.80 in winning the 1984 gold medal in Los Angeles. Only Pietro Mennea's 1979 world record of 19.72 is faster. Lewis, who ran 19.75 in 1983, ran 19.79 here. He was favored to win his third gold medal en route to equalling his four golds of 1984, but his friend ended his chances.

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Joy in Mudville: U.S. Baseball Team Grabs Gold

By William Gildea
Washington Post Service

SEoul — It ended the way Hollywood would have written it, the way any American who had ever seen Jim Abbott pitch wanted it to.

It felt like it does when your team wins a seventh game of the World Series. It was a game never to be forgotten by those who played it.

And when it was over, when the United States had beaten Japan, 5-3, in a tense and dramatic demonstration baseball game Wednesday for the Olympic gold medal, Abbott found himself at the bottom of a 20-player pileup of a celebration on the pitcher's mound, his face ground into the dirt.

His elation transcended anything he had ever felt.

Pitcher Abbott Makes Big Play

By William Gildea
Washington Post Service

"It was my dream of a lifetime," said the one-handed pitcher who worked his way through a sixth-inning jam that almost sent him to the bench and who made the fielding play of his life in the eighth inning.

When the American players unraveled from their human pyramid, the team took off en masse in a victory lap around the outfield, all 20 of them running together, several carrying American flags that rippled in the breeze.

It was the magic moment they had worked all summer for, spent the last six weeks abroad struggling to get to and — to their everlasting joy — made the most of when they got their chance.

ART BUCHWALD

Trumping Sour Grapes

WASHINGTON — The worst mistake I made recently was to tell people that during the summer I had been a guest on Donald Trump's zillion-dollar yacht, the Trump Princess...



Buchwald

"Believe it or not he has a bullet-proof sauna." "Why does Trump need a bullet-proof sauna?" "It wasn't Trump's idea — it was Khashoggi's. Adnan had a fear that someone might try to blow him away while he was sweating. It was a great coincidence, because as a kid Trump had always dreamed of losing weight in a bullet-proof sauna."

"That's not a reason to refuse to set foot on his boat," I said. "Did I tell you that it was previously owned by Adnan Khashoggi, the Middle Eastern wheeler-dealer? They say he used to smuggle his women on board by helicopter. I just wanted to see how he did it."

"Does Trump know this for a fact?" a man asked. "Well, he didn't see it with his own eyes — but he did show us the star rooms, which still have scratches on the marble."

"Anyone who would go on a Trump boat," said an old friend, "has no self-respect. What else was on it?"

Church Gets Mystery Gift

MORTEHOE, England — St. Mary Magdalene Church's 900-year-old Norman tower, one of Britain's oldest, will be restored thanks to a mysterious benefactor who gave £25,000 (\$42,000).

Gordon Parks Focuses On the Years of Anger

By Elizabeth Kastor

NEW YORK — Perhaps, Gordon Parks thinks, the dreams that now fracture his nights were born of all those letters and books and pictures. His papers, covered by libraries in New York, Boston and Kansas, waited in piles around his apartment for days as he sorted through them, and somehow the past seeped out of them and keeps him from sleeping.

"I've got a lot of tool shops in my mind that need exploring," Gordon Parks

mother's teaching. But the fury is still there. "I did suppress a lot of anger," he says quietly, as if it is a recent discovery. One of his most famous pictures is of a black cleaning woman he met soon after arriving in Washington to work for the Farm Security Administration. Her mother died young, her father was killed by a lynch mob, her husband shot to death two days before her daughter was born. When Parks first saw her, she was caring for her dead daughter's two illegitimate children, one of whom was paralyzed. He described that meeting in his autobiographical "A Choice of Weapons."

Early Release Ordered For John Zaccaro Jr.

John Zaccaro Jr., 24, the son of the 1984 Democratic vice-presidential candidate, Geraldine Ferraro, has been released a month early from a house arrest program in Burlington, Vermont. He was convicted in April of selling cocaine. The sentence caused an uproar as Zaccaro spent it in a \$1,500-a-month apartment. Governor Madeleine Kunin has changed the program so that no person convicted of selling drugs may participate in it in the future. Zaccaro was released early for good behavior.

A Jane Austen manuscript containing two early novels has been purchased for \$24,000 at an auction in London by the British Library, ending speculation that it would leave Britain. The third volume of "Juvenilia" was written by Austen when she was 17. It includes the novel "Catharine, or the Bowyer," described as Austen's first serious work of fiction.

Joan Collins says divorce is painful, she isn't looking for husband No. 5 and torture for her would be standing every week in line in a supermarket. In the London weekly, Woman, the star of the "Dynasty" series, said writing her first novel, "Prime Time," which is being published in Britain next week, helped her get through the agony of her divorce from Peter Holm.

Billy Carter was a down-home boy, and the country music singer, Tom T. Hall, decided that former President Jimmy Carter's younger brother deserved the kind of send-off he would have wanted. At the funeral in Plains, Georgia, Hall, a longtime friend of Billy, who died Sunday of cancer, wouldn't let the services begin until all the men had removed their ties. "Billy Carter isn't wearing a tie today, and the family has asked you gentlemen if you would remove your ties."

Yves Montand visited the Santiago home of the Reverend Andre Jarlan, the French activist priest who was slain in 1964 during demonstrations against the military government in Chile. The French actor-singer left a bouquet of red carnations at the working-class chapel and residence where Jarlan was shot.



Everything he writes is fueled by a determination to be a model.

Exploitation movie," is his response. "It was a good movie, if James Cagney, Humphrey Bogart had been the star, it wouldn't have been a white exploitation movie, it would have just been a good film. But when Hollywood came up with a lot of fast, bad screenplays, they didn't understand the real integrity of Shaft himself, his depth, what he stood for. He was a simple, sweet, good-looking guy. We put some good words in his mouth, and we thought about them. "There's still a lot of prejudice out there. If it's a good project, a white director is going to get it and get it, and buddy knows buddy — so you really have to go out there on your own." Over the years, he's seen others make movies that seemed to be perfect for him, and when the subject comes up, the anger — as quiet but as powerful as thunder heard from far away — returns. "Now he works on his autobiography, his music, a ballet about Martin Luther King Jr., a novel about the British painter J.M.W. Turner. (He never wanted to write a photograph or film only black people, he says; his 1981 novel "Shannon" is about Irish immigrants.) He raises money for the King ballet production, a new and hated task, watches the East River and recognizes in its liquid steel water the subject of Turner's greatest works. Perhaps that book will bring him back to the movie screen — but this time, he will do it on his terms. "I suppose I am restless," he says. "I have to always be doing something. I like a couple of things going at once, at least I feel I was a late starter, and I missed a lot of things in my early life, and I've got to make up for it. I've got a lot of tool shops in my mind that need exploring. I suppose everyone does, but they just don't bother. It makes life much more interesting."

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